

MOGALAKWENA

MUNICIPALITY



2011/2012

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2012

MOGALAKWENA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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GENERAL INFORMATION

MAYOR

T.A. Mashamaite

SPEAKER

R.M. Mabusela (Ms)

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor

Councillors:	M.A. Tsebe	M.R. Lebelo (Ms)
	F.M. Mabuela (Ms)	M.S. Tlhaku
	N.S. Montane	M.E. Ramashala (Ms)
	N.V. Mashamaite	C.F.B. Smit
	T.A. Kgaphola	

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

External:	Auditor General	Internal:	Own Staff
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PRIMARY BANKER

Standard Bank Limited

REGISTERED OFFICE

54 Retief Street	P.O. Box 34
MOKOPANE	MOKOPANE
0601	0600

Telephone: (015) 491-9600	Facsimile: (015) 491-9755
E-Mail: kekanasw@mogalakwena.gov.za	

MUNICIPAL MANAGER

S.W. Kekana	(015) 491-9604	kekanasw@mogalakwena.gov.za
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CHIEF FINANCIAL OFFICER

K.J. Mphago	(015) 491-9606	mphagok@mogalakwena.gov.za
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GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 145, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2012.

S.W. KEKANA
MUNICIPAL MANAGER
31 August 2012

K.J. MPHAGO
CHIEF FINANCIAL OFFICER
31 August 2012

MEMBERS OF THE COUNCIL

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MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

S.W. KEKANA
MUNICIPAL MANAGER
31 August 2012

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FOREWORD

During the 2011/12 financial year the municipality had to ensure that issues of compliance with various changes in legislation are addressed in order to meet the challenges set by a changing legislative environment.

The municipality, as part of improving service delivery to the community, implemented proper communication channels through the ward committee systems. Community Development Workers ensured that our people receive treatment that is in compliance with the Batho Pele principles. Service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of those that were previously forgotten. Further to ensure that compliance with Batho Pele principles is adhered to at all times, we call upon our Councillors, Community Development Workers and Ward Committees to discharge their responsibilities in the spirit of co-operative governance.

Although capital infrastructure projects were limited to those financed from external grant funding, the municipality has successfully finalised some of the projects identified in the Integrated Development Plan. There has been significant under spending in this regard and the municipality has already submitted a request for roll-over of budget to both CoGHSTA and National Treasury.

The municipality will in the 2012/13 financial year again embark upon projects identified in the Integrated Development Plan and speed up completion of 2011/12 projects.

I hereby wish to thank the members of the Executive Committee and executive staff for their commitment during the 2011/12 year and hope that the 2012/13 targets set in the Integrated Development Plan will be met.

I thank you.

CLR T.A. MASHAMAITE
MAYOR
31 August 2012

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AUDIT REPORT

The 2011/12 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an *Accrual Basis* of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

These Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Principles (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GAMAP 9 (*Revenue*) as far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in IAS 32 (*Financial Instruments – Presentation*) and IAS 39 (*Financial Instruments – Recognition and Measurement*).

1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in IAS 39 (*Financial Instruments - Recognition and Measurement*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.3 Impairment of Financial Assets (continued)

- ◆ Impairment of Trade Receivables:
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions amounted to R40 906 932 and that of Receivables from Non-exchange Transactions to R2 631 169.

1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant and Equipment, and Inventories

Accounting Policy 7 on *Impairment of Assets* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories (continued)

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (*Impairment of Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

During the year no impairments were made to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Asset or Inventory.

1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Accounting Policy, paragraph 9.2.2.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, *Employee Benefits – Post-employment Benefits*, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes to the Annual Financial Statements.

1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in Notes to the Annual Financial Statements.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP standard has been issued but is not yet effective and has been early adopted by the municipality:

- ◆ GRAP 104 Financial Instruments - issued October 2009

GRAP 104 will be effective for the period starting after 1 April 2012. The municipality elected to adopt the standard during the 2010/11 financial year.

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ◆ GRAP 18 Segment Reporting - issued March 2005
- ◆ GRAP 20 Related Party Disclosures - revised
- ◆ GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- ◆ GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- ◆ GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- ◆ GRAP 25 Employee Benefits - issued December 2009
- ◆ GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- ◆ GRAP 103 Heritage Assets - issued July 2008
- ◆ GRAP 105 Transfers between Entities under common control - issued November 2010
- ◆ GRAP 106 Transfers between Entities not under common control - issued November 2010
- ◆ GRAP 107 Mergers - issued November 2010

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance, who announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26 and GRAP 103 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- ◆ Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- ◆ Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- ◆ Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- ◆ Financial Instruments (GRAP 104 - issued October 2009)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

2. ACCUMULATED SURPLUS

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- ◆ The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- ◆ The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- ◆ Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- ◆ If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

2.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

2. ACCUMULATED SURPLUS (continued)

2.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

2.4 Government Grants Reserve

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation (continued)

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Other	
Improvements	5 - 30	Bins and Containers	5 - 15
Infrastructure		Computer Equipment	3 - 10
Electricity	3 - 55	Emergency Equipment	3 - 10
Roads and Paving	3 - 100	Furniture and Fittings	3 - 15
Sanitation	7 - 55	Motor Vehicles	4 - 15
Sewerage	7 - 60	Office Equipment	3 - 15
Water	5 - 100	Plant and Equipment	2 - 15
Community		Specialist Vehicles	10 - 15
Community Facilities	5 - 30	Other Assets	25 - 30
Recreational Facilities	10 - 30		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.7 Derecognition of Property, Plant and Equipment

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- ◆ It is technically feasible to complete the Intangible Asset so that it will be available for use;
- ◆ Management intends to complete the Intangible Asset and use or sell it;
- ◆ There is an ability to use or sell the Intangible Asset;
- ◆ It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- ◆ The expenditure attributable to the Intangible Asset during its development can be reliably measured.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

4. INTANGIBLE ASSETS (continued)

4.1 Initial Recognition (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is ready for use on a *Straight-line Basis* over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

4. INTANGIBLE ASSETS (continued)

4.2 Subsequent Measurement, Amortisation and Impairment (continued)

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Computer Software	2 - 5		

Intangible Assets are annually tested for impairment, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

5. INVESTMENT PROPERTY (continued)

5.1 Initial Recognition (continued)

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- ◆ Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- ◆ Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- ◆ A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- ◆ A property owned by the municipality and leased out at a below market rental; and
- ◆ Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- ◆ Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- ◆ Property being constructed or developed on behalf of third parties;
- ◆ Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- ◆ Property that is leased to another entity under a finance lease;
- ◆ Property held to provide goods and services and also generates cash inflows; and
- ◆ Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

5. INVESTMENT PROPERTY (continued)

5.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

Investment Properties are derecognised when the asset is disposed of or when they are permanently withdrawn from use and there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Investment Property is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

6. HERITAGE ASSETS

Heritage Assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6. HERITAGE ASSETS (continued)

6.1 *Initial Recognition (continued)*

The cost of an item of Heritage Assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

6.2 *Subsequent Measurement*

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

6.3 *Derecognition*

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

6.4 *Transitional Provisions*

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of Heritage Assets.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

7. IMPAIRMENT OF ASSETS (continued)

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- ◆ To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- ♦ The fair values of quoted investments are based on current bid prices.
- ♦ If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

- ◆ **Financial Assets at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- ◆ **Financial Assets at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- ◆ **Financial Assets at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality may have the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.1 Financial Assets – Classification (continued)

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Creditors	Financial Liabilities at Amortised Cost
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

8.4.1 Financial Assets at Amortised Cost

Accounts Receivables encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

8. FINANCIAL INSTRUMENTS (continued)

8.4 Impairment of Financial Assets (continued)

8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

9.2.2 Water Inventory:

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

9. INVENTORIES (continued)

9.2.3 Unsold Properties:

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

9.2.4 Other Arrangements:

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

10. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

10.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held-for-sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from *Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

11. REVENUE RECOGNITION (continued)

11.1 General (continued)

Revenue from *Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

11. REVENUE RECOGNITION (continued)

11.2 Revenue from Exchange Transactions (continued)

11.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

11.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

11.2.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.2.7 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- ◆ The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ◆ The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ◆ The amount of revenue can be measured reliably;
- ◆ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

11. REVENUE RECOGNITION (continued)

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a *Non-exchange Transaction*, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a *Non-exchange Transaction* that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

**MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

11. REVENUE RECOGNITION (continued)

11.3 Revenue from Non-exchange Transactions (continued)

11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

11. REVENUE RECOGNITION (continued)

11.3 Revenue from Non-exchange Transactions (continued)

11.3.4 Government Grants and Receipts (continued)

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

12. PROVISIONS (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

13. EMPLOYEE BENEFITS (continued)

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds, with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

13. EMPLOYEE BENEFITS (continued)

13.2 Post-employment Benefits (continued)

13.2.2 Defined Benefit Plans (continued)

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

Long-service Allowance:

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. *The Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans:

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

13. EMPLOYEE BENEFITS (continued)

13.2 Post-employment Benefits (continued)

13.2.2 Defined Benefit Plans (continued)

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the *Corridor Method*. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a *Straight-line Basis* over the vesting period.

14. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ◆ Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ◆ Expect to be repaid in future; or
- ◆ Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

15. LEASES

15.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

15.2 The Municipality as Lessee

15.2.1 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

15.3 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental revenue is recognised on a *Straight-line Basis* over the term of the relevant lease.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

17. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

18. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

23. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- ◆ Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

24. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

25. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

MOGALAKWENA MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

26. COMPARATIVE INFORMATION

26.1 Current year comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

26.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

26.3 Budget Information:

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

APPENDIX A
MOGALAKWENA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Land and Buildings	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Land:</i>													
Land: Developed	41 220 934	-	-	-	-	41 220 934	-	-	-	-	-	41 220 934	-
Land: Undeveloped	31 427 394	-	-	-	-	31 427 394	-	-	-	-	-	31 427 394	-
<i>Buildings:</i>													
Carports	595 938	212 611	-	-	-	808 549	347 912	27 264	-	-	375 176	433 373	215 000
Hostels: Public and Tourist	85 671	-	-	-	-	85 671	78 440	2 849	-	-	81 289	4 383	-
Houses	464 882	-	-	-	-	464 882	423 498	3 593	-	-	427 091	37 790	-
Office Buildings	16 568 381	18 252	63 359	37 815	-	16 687 807	4 528 624	588 944	-	-	5 117 568	11 570 239	100 000
Warehouses	2 128 909	4 008	-	-	-	2 132 917	1 418 096	72 420	-	-	1 490 516	642 400	5 000
Workshops and Depots	514 033	-	-	-	-	514 033	184 702	17 134	-	-	201 836	312 196	-
Air Conditioning Systems	283 153	2 095 528	-	-	-	2 378 681	43 353	59 022	-	-	102 375	2 276 306	-
Elevator Systems	566 371	-	-	-	-	566 371	84 948	28 316	-	-	113 264	453 107	1 656 595
	93 855 664	2 330 399	63 359	37 815	-	96 287 237	7 109 573	799 542	-	-	7 909 116	88 378 122	1 976 595
Infrastructure													
<i>Electricity:</i>													
High Mast Lights	5 176 683	-	1 080 174	4 353 903	-	10 610 760	1 554 295	582 065	-	-	2 136 360	8 474 400	2 142 212
Mains	32 191 793	3 887 740	-	-	-	36 079 533	6 738 753	763 882	-	-	7 502 634	28 576 898	16 307 766
Meters	177 502	-	-	-	-	177 502	88 460	7 172	-	-	95 632	81 871	-
Substations	57 002 014	-	-	-	-	57 002 014	14 412 982	1 991 724	-	-	16 404 707	40 597 308	-
Supply and Reticulation	20 522 434	-	-	-	-	20 522 434	2 871 966	820 952	-	-	3 692 918	16 829 516	-
Transformers	24 654 938	-	-	-	-	24 654 938	4 674 767	507 234	-	-	5 182 001	19 472 937	-
Major Spare Parts in Inventory	3 863 098	-	-	60 144	-	3 923 242	-	-	-	-	-	3 923 242	-
<i>Roads and Transport:</i>													
Bus Terminals	351 000	-	-	-	-	351 000	176 963	17 550	-	-	194 513	156 488	-
Road Furniture (Lights, Signs, etc)	16 922 664	18 094 209	8 724 956	4 771 828	-	48 513 657	511 329	927 175	-	-	1 438 504	47 075 153	35 500 000
Roads: Asphalt	211 140 897	21 209 669	786 662	8 281 097	(2 551 712)	238 866 613	80 130 138	8 320 093	-	(1 195 509)	87 254 722	151 611 890	23 000 000
Roads: Concrete	677 092	-	-	-	-	677 092	8 377	18 150	-	-	26 527	650 565	-
Roads: Gravel	71 144 503	-	-	-	-	71 144 503	52 329 883	7 117 191	-	-	59 447 073	11 697 430	-
Roads: Paved	815 000	540 245	-	-	-	1 355 245	9 056	39 172	-	-	48 228	1 307 017	550 000
Stormwater	77 750 000	4 507 172	5 040 984	20 907 863	-	108 206 020	13 177 217	2 950 641	-	-	16 127 858	92 078 161	28 789 803
Railway Sidings	503 000	-	-	-	-	503 000	408 133	23 717	-	-	431 850	71 150	-
Taxi Ranks	228 694	-	-	-	-	228 694	166 341	4 234	-	-	170 574	58 120	-
Telkom Sleeves	3 970 739	-	-	-	-	3 970 739	534 714	198 537	-	-	733 251	3 237 488	-
<i>Sanitation:</i>													
Landfill Sites	3 866 401	-	-	-	-	3 866 401	47 830	166 735	-	-	214 565	3 651 835	300 000
<i>Sewerage:</i>													
Bulk Pipelines	31 363 906	1 210 509	-	-	-	32 574 415	9 199 829	627 278	-	-	9 827 107	22 747 307	5 476 983
Pumping Stations	3 031 933	-	-	-	-	3 031 933	325 212	89 967	-	-	415 179	2 616 754	-
Purification Works	11 907 451	300 421	7 611 270	79 420	-	19 898 563	1 047 584	315 843	-	-	1 363 426	18 535 136	8 000 000
Sewers / Reticulation	25 797 452	431 256	-	-	-	26 228 708	1 242 337	429 958	-	-	1 672 295	24 556 414	450 000

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Water:</i>													
Boreholes	7 579 825	5 362 783	1 977 355	158 000	-	15 077 963	133 550	203 365	-	-	336 915	14 741 048	9 350 000
Dams	639 285	-	-	-	-	639 285	42 619	63 928	-	-	106 547	532 737	-
Meters	1 641 517	223 902	-	550 600	-	2 416 019	5 740	130 208	-	-	135 948	2 280 071	225 000
Pumping Stations	20 370 469	374 600	-	-	-	20 745 069	3 941 899	457 948	-	-	4 399 847	16 345 222	375 000
Purification Plant	1 349 750	-	-	-	-	1 349 750	17 436	28 359	-	-	45 795	1 303 955	-
Reservoirs and Tanks	64 531 588	7 723 034	1 319 203	2 676 954	-	76 250 779	17 347 406	1 482 854	-	-	18 830 260	57 420 519	10 375 000
Metalwork	25 000	-	-	-	-	25 000	486	833	-	-	1 319	23 681	-
Standpipes	1 422 310	3 702 311	-	35 000	-	5 159 622	59 821	191 088	-	-	250 909	4 908 713	3 750 000
Supply and Reticulation	164 169 451	4 767 708	28 975 348	17 498 857	-	215 411 365	23 025 273	3 773 644	-	-	26 798 917	188 612 447	97 948 915
Telemetry Systems	267 347	-	-	-	-	267 347	158 697	17 823	-	-	176 520	90 827	-
	865 055 738	72 335 560	55 515 951	59 373 667	(2 551 712)	1 049 729 204	234 389 093	32 269 321	-	(1 195 509)	265 462 904	784 266 299	242 540 679
Community Assets													
<i>Recreational Facilities:</i>													
Museums and Art Galleries	1 748 120	-	-	-	-	1 748 120	653 310	58 271	-	-	711 580	1 036 540	-
<i>Sports Facilities:</i>													
Sport and Recreational Facilities	13 718 717	-	11 103 029	-	-	24 821 746	5 313 949	590 832	-	-	5 904 781	18 916 965	31 859 376
Stadiums	3 228 844	-	-	-	-	3 228 844	630 624	114 191	-	-	744 815	2 484 029	-
<i>Other Facilities:</i>													
Cemeteries	215 181	-	-	-	-	215 181	66 678	7 173	-	-	73 851	141 330	1 065 510
Community Centres	11 014 598	-	-	-	-	11 014 598	3 426 945	373 196	-	-	3 800 141	7 214 458	-
Fire Stations	7 300 000	-	-	-	-	7 300 000	2 453 611	243 333	-	-	2 696 944	4 603 056	-
Libraries	64 500 000	7 029 286	-	2 260 975	-	73 790 261	21 679 167	2 253 225	-	-	23 932 392	49 857 870	7 500 000
Markets	3 132 549	-	-	-	-	3 132 549	413 525	104 399	-	-	517 924	2 614 624	-
Nurseries	145 529	-	-	-	-	145 529	46 041	4 888	-	-	50 929	94 600	-
Old Age Homes	4 050 848	-	-	-	-	4 050 848	2 371 094	123 528	-	-	2 494 622	1 556 225	-
Public Conveniences/Bathrooms	470 663	212 877	-	-	-	683 540	80 734	18 750	-	-	99 484	584 056	225 000
Vehicle Testing Centres	44 000	-	-	-	-	44 000	41 067	1 467	-	-	42 533	1 467	-
Perimeter Protection	4 543 853	1 364 784	-	2 589 580	-	8 498 217	693 415	199 898	-	-	893 313	7 604 904	1 375 000
Security Systems	482 091	-	-	-	-	482 091	244 605	86 754	-	-	331 359	150 732	-
	114 594 990	8 606 948	11 103 029	4 850 555	-	139 155 523	38 114 765	4 179 904	-	-	42 294 669	96 860 854	42 024 886
Other Assets													
<i>Bins and Containers:</i>													
Collection Containers / Bins	862 850	314 855	-	-	-	1 177 704	222 401	118 208	-	-	340 609	837 096	315 000
<i>Computer Equipment:</i>													
Computer Hardware	7 216 799	748 490	50 000	303 994	(664 355)	7 654 928	5 631 309	573 259	-	(596 014)	5 608 554	2 046 373	800 000
Computer Networks	-	82 427	-	-	-	82 427	-	6 182	-	-	6 182	76 245	84 582
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	68 301	-	-	-	-	68 301	25 576	7 513	-	-	33 089	35 212	-
Fire Equipment	-	7 059	-	-	-	7 059	-	943	-	-	943	6 116	7 100
Medical and Allied Equipment	125 838	-	-	-	-	125 838	79 286	15 455	-	-	94 741	31 097	-

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Furniture and Fittings:</i>													
Advertising Boards	514	-	-	-	-	514	8	93	-	-	101	414	-
Domestic and Hostel Furniture	1 499	13 670	-	-	-	15 169	97	465	-	-	562	14 607	13 750
Kitchen Appliances	68 795	12 371	-	-	(2 799)	78 367	37 027	11 797	-	(1 787)	47 037	31 329	12 375
Other Furniture	4 587 524	402 904	474 145	-	(146 685)	5 317 888	2 241 957	472 103	-	(87 018)	2 627 042	2 690 846	900 000
<i>Motor Vehicles:</i>													
Motor Cars	22 414 945	2 250 725	-	-	(2 899 982)	21 765 687	12 485 063	2 994 683	-	(1 903 264)	13 576 482	8 189 205	2 500 000
Trailers	432 137	264 319	-	-	(55 797)	640 659	197 610	54 567	-	(36 024)	216 153	424 505	500 000
Trucks and Bakkies	11 767 559	503 861	-	-	(21 271)	12 250 149	2 824 914	1 299 937	-	(18 841)	4 106 010	8 144 139	2 500 000
<i>Office Equipment:</i>													
Air Conditioners	853 500	118 376	448 779	-	(14 697)	1 405 959	203 162	164 628	-	(7 820)	359 970	1 045 989	570 000
Audiovisual Equipment	13 158	91 387	-	-	-	104 544	8 488	3 636	-	-	12 123	92 421	100 000
Cellular Phones	-	822	-	-	-	822	-	129	-	-	129	693	1 000
Chains, Decorations & Robes	-	87 000	-	-	-	87 000	-	2 658	-	-	2 658	84 342	90 000
Domestic Equipment	31 486	6 482	-	-	-	37 968	6 201	6 437	-	-	12 638	25 329	7 500
Library Books	-	-	926 106	-	-	926 106	-	-	-	-	-	926 106	950 000
Other Office Equipment	3 678 656	147 031	-	-	(406 274)	3 419 413	2 932 557	221 698	-	(353 783)	2 800 472	618 941	150 000
Paintings and Sculptures	63 218	-	-	-	-	63 218	21 986	3 141	-	-	25 127	38 091	-
Library Books	4 183 630	1 432 515	-	-	-	5 616 145	2 442 337	606 330	-	-	3 048 668	2 567 477	-
Library Books - Mahwelereng	-	749 736	-	-	-	749 736	-	-	-	-	-	749 736	-
<i>Plant and Equipment:</i>													
Bicycles	-	1 129	-	-	-	1 129	-	64	-	-	64	1 065	1 250
Electric Wire and Power Tools	47 537	185 185	-	-	-	232 721	22 672	25 864	-	-	48 535	184 186	200 000
Farm Equipment	728 553	-	-	-	(1 965)	726 588	65 251	43 077	-	(1 505)	106 824	619 764	-
Gardening Equipment	919 075	71 906	-	-	-	990 980	436 739	168 928	-	-	605 667	385 313	80 000
Laboratory Equipment	3 900	-	-	-	-	3 900	2 503	770	-	-	3 273	628	-
Other Plant and Equipment	4 355 833	145 200	-	-	(15 888)	4 485 146	2 333 719	649 669	-	(11 515)	2 971 873	1 513 273	150 000
Pumps and Plumbing Equipment	670 633	-	-	-	-	670 633	121 022	61 373	-	-	182 395	488 238	-
Radio Equipment	408 678	63 285	-	-	(3 631)	468 333	228 064	67 038	-	(2 328)	292 774	175 559	100 000
Road Construction Equipment	3 691 653	-	-	-	-	3 691 653	313 717	221 830	-	-	535 548	3 156 105	-
Satelite Tracking Equipment	-	59 959	-	-	-	59 959	-	6 931	-	-	6 931	53 027	100 000
Security Equipment	96 371	94 514	-	47 401	-	238 287	51 285	30 262	-	-	81 546	156 740	100 000
Sport & Eecreational Equipment	-	131 500	-	-	-	131 500	-	4 217	-	-	4 217	127 283	150 000
Telecommunication Equipment	58 604	324 701	-	-	-	383 305	44 744	38 467	-	-	83 211	300 094	350 000
Woodworking Machinery/Equipm	439 430	-	-	-	-	439 430	39 549	39 549	-	-	79 097	360 332	-
Workshop Equipment	2 685 584	311 409	-	-	(23 454)	2 973 538	1 069 170	326 203	-	(16 254)	1 379 118	1 594 420	350 000
<i>Specialised Vehicles:</i>													
Sewerage Collection Vehicles	1 529 573	1 591 462	-	-	-	3 121 035	22 944	185 405	-	-	208 349	2 912 686	1 600 000
<i>Other Assets:</i>													
Laboratories	51	-	-	-	-	51	49	0	-	-	49	1	-
	72 005 884	10 214 279	1 899 030	351 395	(4 256 799)	80 213 788	34 111 402	8 433 513	-	(3 036 152)	39 508 763	40 705 025	12 682 557
Total	1 145 512 276	93 487 185	68 581 369	64 613 432	(6 808 511)	1 365 385 752	313 724 833	45 682 280	-	(4 231 661)	355 175 452	1 010 210 300	299 224 717
						0.00					0.00	0.00	

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

MOGALAKWENA MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	4 564 000	-	-	-	-	4 564 000	1 466 123	91 633	-	-	1 557 756	3 006 244	-
	4 564 000	-	-	-	-	4 564 000	1 466 123	91 633	-	-	1 557 756	3 006 244	-
						0.00							

MOGALAKWENA MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	3 743 238	1 095 678	10 000	-	-	4 848 916	3 121 919	517 231	-	-	3 639 150	1 209 765	235 010
	3 743 238	1 095 678	10 000	-	-	4 848 916	3 121 919	517 231	-	-	3 639 150	1 209 765	235 010
						0.00							

MOGALAKWENA MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 40360
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Heritage Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Culturally Significant Buildings	51	-	-	-	-	51	-	-	-	-	-	51	-
Historical Sites	5 736 139	-	-	-	-	5 736 139	-	-	-	-	-	5 736 139	-
National Monuments	152	-	-	-	-	152	-	-	-	-	-	152	-
	5 736 342	-	-	-	-	5 736 342	-	-	-	-	-	5 736 342	-
						0.00							
Total Asset Register	1 159 555 856	94 582 863	68 591 369	64 613 432	(6 808 511)	1 380 535 010	318 312 876	46 291 144	-	(4 231 661)	360 372 358	1 020 162 651	299 459 727

APPENDIX C
MOGALAKWENA MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	3 928 957	2 514 443	-	341 809	(59 308)	6 725 902	2 665 992	795 015	-	(47 905)	3 413 102	3 312 799
Finance and Administration	231 513 502	1 624 464	512 138	-	(2 409 309)	231 240 795	61 009 476	6 455 580	-	(1 706 373)	65 758 684	165 482 111
Planning and Development	4 697 355	237 903	-	-	(117 004)	4 818 254	1 303 399	245 993	-	(91 787)	1 457 605	3 360 649
Health	14 663	-	-	-	-	14 663	7 775	2 073	-	-	9 848	4 815
Community and Social Services	8 732 023	12 722 324	1 460 250	2 260 975	(24 978)	25 150 595	3 218 489	1 048 714	-	(18 283)	4 248 921	20 901 674
Public Safety	5 990 301	1 396 325	-	47 401	(527 080)	6 906 948	3 202 188	656 831	-	(401 839)	3 457 180	3 449 769
Sport and Recreation	7 452 976	4 516 344	11 103 029	8 884 845	(48 052)	31 909 143	2 177 877	944 613	-	(42 568)	3 079 923	28 829 220
Environmental Protection	885 779	6 497	-	-	(648 396)	243 881	529 427	32 849	-	(380 250)	182 026	61 855
Waste Management	87 131 618	4 038 850	7 611 270	79 420	(345 314)	98 515 844	15 817 396	3 173 220	-	(289 475)	18 701 142	79 814 703
Roads and Transport	385 881 112	42 897 356	14 552 601	31 097 878	(2 574 575)	471 854 372	148 052 563	20 392 727	-	(1 211 853)	167 233 437	304 620 935
Water	271 761 740	18 342 293	32 271 906	18 978 049	(8 812)	341 345 176	47 068 746	7 018 572	-	(7 718)	54 079 601	287 265 575
Electricity	148 631 039	6 258 387	1 080 174	2 923 054	(45 390)	158 847 265	33 039 637	5 422 427	-	(33 404)	38 428 660	120 418 606
Other	2 934 790	27 677	-	-	(295)	2 962 172	219 909	102 528	-	(206)	322 231	2 639 941
Total	1 159 555 856	94 582 863	68 591 369	64 613 432	(6 808 511)	1 380 535 010	318 312 876	46 291 144	-	(4 231 661)	360 372 358	1 020 162 651

APPENDIX D
MOGALAKWENA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)	Description	2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)
R	R	R		R	R	R
151 994 561	79 764 904	72 229 657	Executive and Council	231 574 510	82 473 372	149 101 138
66 324 575	63 779 429	2 545 147	Finance and Administration	125 577 223	90 704 854	34 872 368
708 991	15 098 767	(14 389 775)	Planning and Development	914 207	14 598 707	(13 684 501)
-	42 232	(42 232)	Health	-	35 472	(35 472)
3 195 750	6 317 435	(3 121 685)	Community and Social Services	13 615 085	6 541 233	7 073 852
128 487	112 065	16 422	Housing	132 382	129 245	3 136
6 400 347	17 593 289	(11 192 943)	Public Safety	7 361 943	19 679 617	(12 317 675)
12 063 826	8 104 015	3 959 812	Sport and Recreation	15 472 664	6 826 366	8 646 298
41 421	1 839 070	(1 797 649)	Environmental Protection	31 152	1 843 753	(1 812 601)
43 145 141	31 476 120	11 669 022	Waste Management	42 036 002	41 043 024	992 978
89 186 741	42 699 976	46 486 765	Roads and Transport	65 933 341	52 585 721	13 347 620
131 795 585	71 423 153	60 372 432	Water	65 707 509	66 743 500	(1 035 991)
143 542 942	113 333 280	30 209 662	Electricity	161 008 240	136 958 606	24 049 634
-	1 189 787	(1 189 787)	Other	98	1 273 168	(1 273 071)
648 528 368	452 773 523	195 754 845	Total	729 364 355	521 436 640	207 927 714

APPENDIX E(1)
MOGALAKWENA MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	38 795 308	38 233 139	562 169	1.47	
Fines	1 145 537	1 307 538	(162 001)	(12.39)	Less Fines issued than anticipated
Licences and Permits	67 550	80 000	(12 450)	(15.56)	Less Licences/Permits issued than anticipated
Income for Agency Services	8 945 566	6 633 990	2 311 576	34.84	More Licences, issued on behalf of Principals, issued than anticipated
Government Grants and Subsidies	385 818 052	520 695 099	(134 877 047)	(25.90)	Commitments not met due to delay in awarding of tenders
Public Contributions and Donations	14 772 113	15 837 856	(1 065 743)	(6.73)	
Service Charges	216 313 192	214 189 011	2 124 181	0.99	
Rental of Facilities and Equipment	1 029 828	778 735	251 093	32.24	More Rental earned than anticipated
Interest Earned - External investments	24 859 260	17 000 000	7 859 260	46.23	Investments held more than budgeted for
Interest Earned - Outstanding debtors	23 074 189	2 157 100	20 917 089	969.69	Budgeted only for anticipated Recoverable Interest
Other Income	9 184 141	4 517 184	4 666 957	103.32	Retentions Forfeited and Unclaimed Moneys older than 3 years not budgeted for
Gains on Disposal of Property, Plant and Equipment	827 142	-	827 142	100.00	Gains not budgeted for
Profit on Sale of Land	4 532 476	4 000 000	532 476	13.31	Land Sales exceeded expectations
Total Revenue	729 364 355	825 429 652	(96 065 297)	(11.64)	
EXPENDITURE					
Employee Related Costs	155 186 871	170 458 999	(15 272 128)	(8.96)	
Remuneration of Councillors	15 107 713	15 180 875	(73 162)	(0.48)	
Collection Costs	118 575	185 000	(66 425)	(35.91)	Expenditure less than anticipated
Depreciation	46 291 144	58 226 865	(11 935 721)	(20.50)	Capital Projects budgeted for not completed/started during the year
Impairment Losses	43 538 102	44 622 142	(1 084 040)	(2.43)	
Repairs and Maintenance	56 546 309	55 766 982	779 327	1.40	
Interest Paid	16 293	-	16 293	100.00	Not material
Bulk Purchases	122 946 781	126 040 000	(3 093 219)	(2.45)	
Contracted Services	13 292 516	17 717 578	(4 425 062)	(24.98)	Savings on expenditure realised
Grants and Subsidies Paid	38 627 426	32 750 331	5 877 095	17.95	Community Projects budgeted for in Capital Budget
General Expenses	27 965 722	44 430 906	(16 465 184)	(37.06)	Savings on expenditure realised
Loss on disposal of Property, Plant and Equipment	1 799 189	-	1 799 189	100.00	Loss on Insurance Claims and Disposal of Assets not budgeted for
Total Expenditure	521 436 640	565 379 678	(43 943 038)	(7.77)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	207 927 714	260 049 974	(52 122 260)	(20.04)	

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	35 268 655	32 307 437	2 961 218	9.17	
Fines	1 404 133	1 189 079	215 054	18.09	More fines issued than anticipated because offices are now open on weekends
Licences and Permits	68 910	76 855	(7 945)	(10.34)	Less licences/permits issued than anticipated
Income for Agency Services	8 214 097	6 347 313	1 866 784	29.41	More licences issued than anticipated
Government Grants and Subsidies	368 060 588	400 384 917	(32 324 329)	(8.07)	
Public Contributions and Donations	8 401 556	(8 000)	8 409 556	(105 119.45)	Donations received was not budgeted for - improvements to swimming pool
Service Charges	180 380 049	186 566 938	(6 186 889)	(3.32)	
Rental of Facilities and Equipment	720 039	816 205	(96 166)	(11.78)	Budgeted for full contracted amount, of which portion is deferred to next year
Interest Earned - External investments	15 925 024	13 000 000	2 925 024	22.50	Investments held more than budgeted for
Interest Earned - Outstanding debtors	17 229 336	2 120 000	15 109 336	712.70	Budgeted only for anticipated recoverable interest
Other Income	6 108 752	2 705 066	3 403 686	125.83	Retentions forfeited not budgeted for
Gains on Disposal of Property, Plant and Equipment	-	-	-	0.00	
Profit on Sale of Land	6 747 229	4 166 767	2 580 462	61.93	Land Sales exceeded expectations
Total Revenue	648 528 368	649 672 577	(1 144 209)	(0.18)	
EXPENDITURE					
Employee Related Costs	145 456 584	152 864 589	(7 408 005)	(4.85)	
Remuneration of Councillors	13 246 031	14 483 810	(1 237 779)	(8.55)	
Collection Costs	90 502	100 000	(9 498)	(9.50)	
Depreciation	42 380 634	44 191 038	(1 810 404)	(4.10)	Decrease in depreciation due to implementation of GRAP 16, 17 and 102
Impairment Losses	37 288 231	32 193 880	5 094 351	15.82	Increased provision due to deterioration of debtor payment rate
Repairs and Maintenance	61 763 678	66 415 744	(4 652 066)	(7.00)	
Interest Paid	-	-	-	0.00	
Bulk Purchases	101 289 628	106 200 000	(4 910 372)	(4.62)	
Contracted Services	12 530 808	13 828 009	(1 297 201)	(9.38)	Savings on expenditure realised
Grants and Subsidies Paid	22 316 323	29 185 553	(6 869 230)	(23.54)	
General Expenses	16 382 883	25 855 104	(9 472 221)	(36.64)	Savings on expenditure realised
Loss on disposal of Property, Plant and Equipment	28 223	-	28 223	100.00	Loss on Insurance claims
Total Expenditure	452 773 523	485 317 727	(32 544 204)	(6.71)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	195 754 845	164 354 850	31 399 995	19.11	

APPENDIX E(2)
MOGALAKWENA MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Under Construction	2011/12 Total Additions	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Executive and Council	2 514 443	-	2 514 443	2 899 974	(385 531)	(13.29)	Savings realised - Assets not procured as budgeted for
Finance and Administration	1 624 464	512 138	2 136 602	4 707 386	(2 570 784)	(54.61)	Savings realised - Assets not procured as budgeted for
Planning and Development	237 903	-	237 903	579 451	(341 548)	(58.94)	Savings realised on procurement of Air Conditioners
Community and Social Services	12 722 324	1 460 250	14 182 575	13 756 837	425 738	3.09	
Housing	-	-	-	370 000	(370 000)	(100.00)	Assets not procured as budgeted for - Budget rolled over to 2012/13
Public Safety	1 396 325	-	1 396 325	3 140 091	(1 743 766)	(55.53)	Savings realised - Assets not procured as budgeted for
Sport and Recreation	4 516 344	11 103 029	15 619 373	29 398 479	(13 779 106)	(46.87)	Construction of Sports Node not finalised - Budget rolled over to 2012/13
Environmental Protection	6 497	-	6 497	6 500	(3)	(0.04)	
Waste Management	4 038 850	4 999 768	9 038 618	16 183 806	(7 145 188)	(44.15)	MIG Projects not finalised - Budget rolled over to 2012/13
Roads and Transport	42 897 356	14 365 252	57 262 608	86 191 636	(28 929 028)	(33.56)	MIG and NDPG Projects not finalised - Budget rolled over to 2012/13
Water	18 342 293	31 115 923	49 458 215	122 331 653	(72 873 438)	(59.57)	DWAE and MIG Projects not finalised - Budget rolled over to 2012/13
Electricity	6 258 387	1 080 174	7 338 561	19 845 914	(12 507 353)	(63.02)	Projects not finalised - Budget rolled over to 2012/13
Other	27 677	-	27 677	48 000	(20 323)	(42.34)	Not material
Total	94 582 863	64 636 536	159 219 398	299 459 727	(140 240 329)	(46.83)	

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Under Construction	2010/11 Total Additions	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Executive and Council	340 628	37 815	378 443	486 853	(108 410)	(22.27)	Capital under Construction from 2008/09 not budgeted for - R303 994
Finance and Administration	2 166 260	-	2 166 260	1 566 968	599 292	38.25	Swimming Pool not budgeted for - R966 845
Planning and Development	119 365	-	119 365	259 965	(140 600)	(54.08)	Savings realised
Community and Social Services	805 003	2 260 975	3 065 979	9 266 339	(6 200 360)	(66.91)	Construction of Library not finalised - R6 239 025 rolled over to 2011/12
Housing	-	-	-	-	-	0.00	
Public Safety	879 643	47 401	927 044	1 119 600	(192 556)	(17.20)	Savings realised
Sport and Recreation	778 284	8 884 845	9 663 130	27 158 357	(17 495 227)	(64.42)	Construction of Sports Node not finalised - R17 443 155 rolled over to 2011/12
Environmental Protection	2 550	-	2 550	3 000	(450)	(15.00)	Not material
Waste Management	11 170 354	2 690 922	13 861 276	15 317 236	(1 455 960)	(9.51)	MIG Projects not finalised - R1 186 970 rolled over to 2011/12
Roads and Transport	54 698 354	27 391 707	82 090 061	86 223 155	(4 133 094)	(4.79)	
Water	40 702 041	20 134 032	60 836 073	83 133 207	(22 297 134)	(26.82)	DWAF & MIG Projects not finalised - R22 265 662 rolled over to 2011/12
Electricity	16 746 170	2 862 910	19 609 081	24 031 761	(4 422 680)	(18.40)	Substation & Streetlight Projects not finalised - R4 123 322 rolled over to 2011/12
Other	798	-	798	900	(102)	(11.31)	Not material
Total	128 409 450	64 310 609	192 720 059	248 567 341	(55 847 282)	(22.47)	

APPENDIX F
MOGALAKWENA MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	0	93 809 000	60 944 000	63 591 000	0	0	51 431 945	51 648 705	50 973 586	60 875 759	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	0	1 250 000	0	0	0	0	118 585	160 229	140 930	830 256	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
NDPG	Nat Treasury	0	0	5 000 000	23 000 000	0	0	6 572 948	15 487 058	7 367 239	4 882 307	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	0	66 059 000	0	47 163 000	0	0	7 223 727	18 120 529	19 141 673	27 162 294	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	0	7 231 058	5 086 113	46 682 830	20 999 811	0	2 604 744	4 659 630	1 350 028	18 851 540	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF O & M	DWAF	0	3 715 000	3 715 000	3 818 000	0	0	775 569	3 205 072	5 053 473	2 213 887	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Projects	DME	0	2 572 000	2 571 000	857 000	0	0	0	0	0	4 877 914	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	0	790 000	0	0	0	0	0	149 218	165 000	475 782	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	0	860 000	172 000	1 038 000	0	0	0	433 440	598 560	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		0	176 286 058	77 488 113	186 149 830	20 999 811	0	68 727 518	93 863 880	84 790 488	120 169 739	0	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																			

MOGALAKWENA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2012

30 June 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	6 138 285	2 575 587	-	8 713 872	9 110 318	-	396 446	104.55	148.42
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	0.00	0.00
Receivables from Exchange Transactions	29 395 880	2 905 990	-	32 301 870	31 396 148	-	(905 722)	97.20	106.80
Receivables from Non-exchange Transactions	27 124 951	(8 421 451)	-	18 703 500	30 604 927	-	11 901 427	163.63	112.83
VAT Receivable	10 718 940	-	-	10 718 940	7 495 337	-	(3 223 603)	69.93	69.93
Cash and Cash Equivalents	206 736 017	87 298 610	-	294 034 627	501 750 484	-	207 715 857	170.64	242.70
Operating Lease Receivables	-	-	-	-	111 239	-	111 239	0.00	0.00
Current Portion of Long-term Receivables	5 267 233	1 058 954	-	6 326 187	6 387 461	-	61 274	100.97	121.27
Non-Current Assets									
Property, Plant and Equipment	829 580 777	63 584 798	-	893 165 575	1 010 210 300	-	117 044 725	113.10	121.77
Intangible Assets	6 010 016	-	-	6 010 016	1 209 765	-	(4 800 251)	20.13	20.13
Investment Property	4 864 000	(1 766 123)	-	3 097 877	3 006 244	-	(91 633)	97.04	61.81
Heritage Assets	5 736 342	-	-	5 736 342	5 736 342	-	(0)	100.00	100.00
Long-term Receivables	3 074 759	(229 475)	-	2 845 284	2 289 574	-	(555 710)	80.47	74.46
Total Assets	1 134 647 200	147 006 890	-	1 281 654 090	1 609 308 139	-	327 654 049	125.56	141.83
Current Liabilities									
Consumer Deposits	2 999 218	16 707 453	-	19 706 671	19 661 194	-	(45 477)	99.77	655.54
Provisions	428 588	3 079 601	-	3 508 189	3 010 153	-	(498 036)	85.80	702.34
Payables	79 537 692	(3 707 549)	-	75 830 143	100 233 269	-	24 403 126	132.18	126.02
Unspent Conditional Grants and Receipts	36 588 166	50 792 698	-	87 380 864	172 966 526	-	85 585 662	197.95	472.74
Non-Current Liabilities									
Retirement Benefit Liabilities	27 034 552	9 121 554	-	36 156 106	42 973 441	-	6 817 335	118.86	158.96
Non-current Provisions	9 750 000	-	-	9 750 000	10 425 117	-	675 117	106.92	106.92
Total Liabilities	156 338 216	75 993 757	-	232 331 973	349 269 699	-	116 937 726	150.33	223.41
Total Assets and Liabilities	978 308 984	71 013 133	-	1 049 322 117	1 260 038 440	-	210 716 323	120.08	128.80
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	978 308 984	71 013 133	-	1 049 322 117	1 260 038 440	-	210 716 323	120.08	128.80
Total Net Assets	978 308 984	71 013 133	-	1 049 322 117	1 260 038 440	-	210 716 323	120.08	128.80

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	38 233 139	-	-	38 233 139	38 795 308	-	562 169	101.47	101.47
Fines	1 307 538	-	-	1 307 538	1 145 537	-	(162 001)	87.61	87.61
Licences and Permits	80 000	-	-	80 000	67 550	-	(12 450)	84.44	84.44
Income for Agency Services	6 633 990	-	-	6 633 990	8 945 566	-	2 311 576	134.84	134.84
Government Grants and Subsidies Received	415 620 336	105 074 763	-	520 695 099	241 273 156	-	(279 421 943)	46.34	58.05
Public Contributions and Donations	1 937 856	13 900 000	-	15 837 856	14 772 113	-	(1 065 743)	93.27	762.29
Revenue from Exchange Transactions									
Service Charges	214 189 011	-	-	214 189 011	216 313 192	-	2 124 181	100.99	100.99
Rental of Facilities and Equipment	778 735	-	-	778 735	1 029 828	-	251 093	132.24	132.24
Interest Earned - External Investments	10 883 221	6 116 779	-	17 000 000	24 859 260	-	7 859 260	146.23	228.42
Interest Earned - Outstanding Debtors	2 157 100	-	-	2 157 100	23 074 189	-	20 917 089	1 069.69	1 069.69
Other Income	2 103 572	2 413 612	-	4 517 184	9 184 141	-	4 666 957	203.32	436.60
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	827 142	-	827 142	0.00	0.00
Profit on Sale of Land	4 000 000	-	-	4 000 000	4 532 476	-	532 476	113.31	113.31
Total Revenue	697 924 498	127 505 154	-	825 429 652	584 819 459	-	(240 610 193)	70.85	83.79
Expenditure									
Employee Related Costs	170 034 499	424 500	-	170 458 999	155 186 871	-	(15 272 128)	91.04	91.27
Remuneration of Councillors	15 180 875	-	-	15 180 875	15 107 713	-	(73 162)	99.52	99.52
Collection Costs	185 000	-	-	185 000	118 575	-	(66 425)	64.09	64.09
Depreciation and Amortisation	58 226 865	-	-	58 226 865	46 291 144	-	(11 935 721)	79.50	79.50
Impairment Losses	36 784 552	7 837 590	-	44 622 142	43 538 102	-	(1 084 040)	97.57	118.36
Repairs and Maintenance	55 309 307	457 675	-	55 766 982	56 546 309	779 327	779 327	101.40	102.24
Finance Costs	-	-	-	-	16 293	16 293	16 293	0.00	0.00
Bulk Purchases	131 640 000	(5 600 000)	-	126 040 000	122 946 781	-	(3 093 219)	97.55	93.40
Contracted Services	19 702 200	(1 984 622)	-	17 717 578	13 292 516	-	(4 425 062)	75.02	67.47
Grants and Subsidies Paid	20 589 231	12 161 100	-	32 750 331	38 627 426	5 877 095	5 877 095	117.95	187.61
General Expenses	38 275 729	6 155 177	-	44 430 906	27 965 722	-	(16 465 184)	62.94	73.06
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	1 799 189	1 799 189	1 799 189	0.00	0.00
Total Expenditure	545 928 258	19 451 420	-	565 379 678	521 436 640	8 471 903	(43 943 038)	92.23	95.51
Surplus/(Deficit)	151 996 240	108 053 734	-	260 049 974	63 382 818	(8 471 903)	(196 667 156)	24.37	41.70
Transfers Recognised - Capital	-	-	-	-	144 544 896	144 544 896	144 544 896	0.00	0.00
Surplus/(Deficit for the Year)	151 996 240	108 053 734	-	260 049 974	207 927 714	136 072 993	(52 122 260)	79.96	136.80

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	486 853	2 413 121	-	2 899 974	2 514 443	-	(385 531)	86.71	516.47
Finance and Administration	1 566 968	3 140 418	-	4 707 386	2 136 602	-	(2 570 784)	45.39	136.35
Planning and Development	259 965	319 486	-	579 451	237 903	-	(341 548)	41.06	91.51
Community and Social Services	9 266 339	4 490 498	-	13 756 837	14 182 575	425 738	425 738	103.09	153.05
Housing	-	370 000	-	370 000	-	-	(370 000)	0.00	0.00
Public Safety	1 119 600	2 020 491	-	3 140 091	1 396 325	-	(1 743 766)	44.47	124.72
Sport and Recreation	27 158 357	2 240 122	-	29 398 479	15 619 373	-	(13 779 106)	53.13	57.51
Environmental Protection	3 000	3 500	-	6 500	6 497	-	(3)	99.96	216.58
Waste Management	15 317 236	866 570	-	16 183 806	9 038 618	-	(7 145 188)	55.85	59.01
Roads and Transport	86 223 155	(31 519)	-	86 191 636	57 262 608	-	(28 929 028)	66.44	66.41
Water	83 133 207	39 198 446	-	122 331 653	49 458 215	-	(72 873 438)	40.43	59.49
Electricity	24 031 761	(4 185 847)	-	19 845 914	7 338 561	-	(12 507 353)	36.98	30.54
Other	900	47 100	-	48 000	27 677	-	(20 323)	57.66	3 075.21
Total Sources of Capital Funds	248 567 341	50 892 386	-	299 459 727	159 219 398	425 738	(140 240 329)	53.17	64.05
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Property Rates	35 329 644	4 215 898	-	39 545 542	34 138 368	-	(5 407 174)	86.33	96.63
Grants	351 227 459	130 108 539	-	481 335 998	301 315 192	-	(180 020 806)	62.60	85.79
Public Contributions and Donations	-	-	-	-	13 689 311	13 689 311	13 689 311	0.00	0.00
Service Charges	191 189 011	53 000 000	-	244 189 011	169 620 001	-	(74 569 010)	69.46	88.72
Interest Received	8 250 000	8 750 000	-	17 000 000	24 859 260	7 859 260	7 859 260	146.23	301.32
Other Receipts	-	(19 706 671)	-	(19 706 671)	222 434 303	242 140 974	242 140 974	0.00	0.00
Employee Related Costs	(170 034 499)	-	-	(170 034 499)	(149 219 401)	20 815 098	20 815 098	0.00	0.00
Remuneration of Councillors	(15 180 875)	-	-	(15 180 875)	(15 107 713)	73 162	73 162	0.00	0.00
Interest Paid	(520 000)	520 000	-	-	(16 293)	-	(16 293)	0.00	0.00
Suppliers Paid	(273 361 192)	(103 519 717)	-	(376 880 909)	(170 171 862)	206 709 047	206 709 047	0.00	0.00
Other Payments	(1 785 487)	(455 649)	-	(2 241 136)	(75 201 428)	-	(72 960 292)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(65 052 999)	(210 046 079)	-	(275 099 078)	(158 113 721)	116 985 357	116 985 357	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(1 105 678)	-	(1 105 678)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	5 203 181	5 203 181	5 203 181	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	4 000 000	-	4 000 000	4 532 476	532 476	532 476	113.31	0.00
Decrease / (Increase) in Long-term Receivables	-	221 529 244	-	221 529 244	859 861	-	(220 669 383)	0.39	0.00
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	60 061 062	88 395 565	-	148 456 627	207 715 857	614 007 866	59 259 230	139.92	345.84

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<p>Financial Position: Explanation of Variances between Approved Budget and Actual</p> <p>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:</p> <p>Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be</p> <p>Financial Performance: Explanation of Variances between Approved Budget and Actual</p> <p>For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".</p> <p>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</p> <p>For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".</p> <p>Cash Flow: Explanation of Variances between Approved Budget and Actual</p> <p>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:</p> <p>Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.</p>									

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R

30 June 2011

FINANCIAL POSITION									
Current Assets									
Inventories	9 000 000	(3 419 741)	-	5 580 259	8 402 622	-	2 822 363	150.58	93.36
Non-current Assets Held-for-Sale	-	-	-	-	311 250	-	311 250	0.00	0.00
Receivables from Exchange Transactions	38 992 000	(12 832 975)	-	26 159 025	25 609 890	-	(549 135)	97.90	65.68
Receivables from Non-exchange Transactions	4 000 000	16 621 452	-	20 621 452	26 470 704	-	5 849 252	128.36	661.77
VAT Receivable	-	8 391 394	-	8 391 394	12 423 537	-	4 032 143	148.05	0.00
Cash and Cash Equivalents	117 000 000	68 253 738	-	185 253 738	294 034 627	-	108 780 889	158.72	251.31
Operating Lease Receivables	-	79 980	-	79 980	56 877	-	(23 103)	71.11	0.00
Current Portion of Long-term Receivables	1 300 000	3 881 575	-	5 181 575	6 330 872	-	1 149 297	122.18	486.99
Non-Current Assets									
Property, Plant and Equipment	804 820 000	(58 846 014)	-	745 973 986	900 295 565	-	154 321 579	120.69	111.86
Intangible Assets	-	1 126 016	-	1 126 016	621 319	-	(504 697)	55.18	0.00
Investment Property	5 000 000	(136 000)	-	4 864 000	3 097 877	-	(1 766 123)	63.69	61.96
Heritage Assets	-	-	-	-	5 736 342	-	5 736 342	0.00	0.00
Long-term Receivables	-	2 900 716	-	2 900 716	2 840 599	-	(60 117)	97.93	0.00
Total Assets	980 112 000	26 020 141	-	1 006 132 141	1 286 232 080	-	280 099 939	127.84	131.23
Current Liabilities									
Consumer Deposits	11 700 000	1 594 405	-	13 294 405	19 706 671	-	6 412 266	148.23	168.43
Provisions	2 000 000	(100 014)	-	1 899 986	3 508 189	-	1 608 203	184.64	175.41
Payables	90 000 000	(37 485 165)	-	52 514 835	77 619 525	-	25 104 690	147.80	86.24
Unspent Conditional Grants and Receipts	-	39 459 438	-	39 459 438	87 380 864	-	47 921 426	221.44	0.00
Non-Current Liabilities									
Retirement Benefit Liabilities	-	30 415 468	-	30 415 468	38 011 209	-	7 595 741	124.97	0.00
Non-current Provisions	-	5 955 132	-	5 955 132	7 894 897	-	1 939 765	132.57	0.00
Total Liabilities	103 700 000	39 839 264	-	143 539 264	234 121 354	-	90 582 090	163.11	225.77
Total Assets and Liabilities	876 412 000	(13 819 123)	-	862 592 877	1 052 110 725	-	189 517 848	121.97	120.05
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	876 412 000	(13 819 123)	-	862 592 877	1 052 110 725	-	189 517 848	121.97	120.05
Total Net Assets	876 412 000	(13 819 123)	-	862 592 877	1 052 110 725	-	189 517 848	121.97	120.05

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	32 307 437	-	-	32 307 437	35 268 655	-	2 961 218	109.17	109.17
Fines	1 189 079	-	-	1 189 079	1 404 133	-	215 054	118.09	118.09
Licences and Permits	76 855	-	-	76 855	68 910	-	(7 945)	89.66	89.66
Income for Agency Services	6 347 313	-	-	6 347 313	8 214 097	-	1 866 784	129.41	129.41
Government Grants and Subsidies Received	400 384 917	-	-	400 384 917	203 561 882	-	(196 823 035)	50.84	50.84
Public Contributions and Donations	(8 000)	-	-	(8 000)	8 401 556	-	8 409 556	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	186 566 938	-	-	186 566 938	180 380 049	-	(6 186 889)	96.68	96.68
Rental of Facilities and Equipment	816 205	-	-	816 205	720 039	-	(96 166)	88.22	88.22
Interest Earned - External Investments	13 000 000	-	-	13 000 000	15 925 024	-	2 925 024	122.50	122.50
Interest Earned - Outstanding Debtors	2 120 000	-	-	2 120 000	17 229 336	-	15 109 336	812.70	812.70
Other Income	2 705 066	-	-	2 705 066	6 108 752	-	3 403 686	225.83	225.83
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	4 166 767	-	-	4 166 767	6 747 229	-	2 580 462	161.93	161.93
Total Revenue	649 672 577	-	-	649 672 577	484 029 662	-	(165 642 915)	74.50	74.50
Expenditure									
Employee Related Costs	152 864 589	-	-	152 864 589	145 456 584	-	(7 408 005)	95.15	95.15
Remuneration of Councillors	14 483 810	-	-	14 483 810	13 246 031	-	(1 237 779)	91.45	91.45
Collection Costs	100 000	-	-	100 000	90 502	-	(9 498)	90.50	90.50
Depreciation and Amortisation	44 191 038	-	-	44 191 038	42 380 634	-	(1 810 404)	95.90	95.90
Impairment Losses	32 193 880	-	-	32 193 880	37 288 231	5 094 351	5 094 351	115.82	115.82
Repairs and Maintenance	66 415 744	-	-	66 415 744	61 763 678	-	(4 652 066)	93.00	93.00
Finance Costs	-	-	-	-	-	-	-	0.00	0.00
Bulk Purchases	106 200 000	-	-	106 200 000	101 289 628	-	(4 910 372)	95.38	95.38
Contracted Services	13 828 009	-	-	13 828 009	12 530 808	-	(1 297 201)	90.62	90.62
Grants and Subsidies Paid	29 185 553	-	-	29 185 553	22 316 323	-	(6 869 230)	76.46	76.46
General Expenses	25 855 104	-	-	25 855 104	16 382 883	-	(9 472 221)	63.36	63.36
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	28 223	28 223	28 223	0.00	0.00
Total Expenditure	485 317 727	-	-	485 317 727	452 773 523	5 122 573	(32 544 204)	93.29	93.29
Surplus/(Deficit)	164 354 850	-	-	164 354 850	31 256 139	(5 122 573)	(133 098 711)	19.02	19.02
Transfers Recognised - Capital	-	-	-	-	164 498 706	164 498 706	164 498 706	0.00	0.00
Surplus/(Deficit for the Year)	164 354 850	-	-	164 354 850	195 754 845	159 376 133	31 399 995	119.11	119.11

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	486 853	-	-	486 853	378 443	-	(108 410)	77.73	77.73
Finance and Administration	1 566 968	-	-	1 566 968	2 166 260	599 292	599 292	138.25	138.25
Planning and Development	259 965	-	-	259 965	119 365	-	(140 600)	45.92	45.92
Community and Social Services	9 266 339	-	-	9 266 339	3 065 979	-	(6 200 360)	33.09	33.09
Housing	-	-	-	-	-	-	-	0.00	0.00
Public Safety	1 119 600	-	-	1 119 600	927 044	-	(192 556)	82.80	82.80
Sport and Recreation	27 158 357	-	-	27 158 357	9 663 130	-	(17 495 227)	35.58	35.58
Environmental Protection	3 000	-	-	3 000	2 550	-	(450)	85.00	85.00
Waste Management	15 317 236	-	-	15 317 236	13 861 276	-	(1 455 960)	90.49	90.49
Roads and Transport	86 223 155	-	-	86 223 155	82 090 061	-	(4 133 094)	95.21	95.21
Water	83 133 207	-	-	83 133 207	60 836 073	-	(22 297 134)	73.18	73.18
Electricity	24 031 761	-	-	24 031 761	19 609 081	-	(4 422 680)	81.60	81.60
Other	900	-	-	900	798	-	(102)	88.69	88.69
Total Sources of Capital Funds	248 567 341	-	-	248 567 341	192 720 059	599 292	(55 847 282)	77.53	77.53
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Property Rates	483 182 365	175 716 213	-	658 898 578	31 827 667	-	(627 070 911)	4.83	6.59
Grants	-	-	-	-	320 139 162	320 139 162	320 139 162	0.00	0.00
Public Contributions and Donations	-	-	-	-	8 401 556	8 401 556	8 401 556	0.00	0.00
Service Charges	-	-	-	-	143 819 023	143 819 023	143 819 023	0.00	0.00
Interest Received	12 630 000	370 000	-	13 000 000	15 925 024	2 925 024	2 925 024	122.50	126.09
Other Receipts	-	-	-	-	132 424 403	132 424 403	132 424 403	0.00	0.00
Employee Related Costs	-	-	-	-	(135 458 950)	-	(135 458 950)	0.00	0.00
Remuneration of Councillors	-	-	-	-	(13 246 031)	-	(13 246 031)	0.00	0.00
Interest Paid	-	(600 000)	-	(600 000)	-	600 000	600 000	0.00	0.00
Suppliers Paid	(366 689 000)	(118 693 098)	-	(485 382 098)	(159 036 277)	326 345 821	326 345 821	0.00	0.00
Other Payments	-	-	-	-	(50 264 561)	-	(50 264 561)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(150 000 000)	38 358 174	-	(111 641 826)	(192 659 133)	-	(81 017 307)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(60 927)	-	(60 927)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	40 243	40 243	40 243	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	16 202	16 202	16 202	0.00	0.00
Profit on Sale of Land	-	-	-	-	6 747 229	6 747 229	6 747 229	0.00	0.00
Decrease / (Increase) in Long-term Receivables	527 000	(527 000)	-	-	166 259	166 259	166 259	0.00	31.55
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	(20 349 635)	94 624 289	-	74 274 654	108 780 889	941 624 921	34 506 235	146.46	0.00

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<p>Financial Position: Explanation of Variances between Approved Budget and Actual</p> <p>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:</p> <p>Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be</p>									
<p>Financial Performance: Explanation of Variances between Approved Budget and Actual</p> <p>For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".</p>									
<p>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</p> <p>For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".</p>									
<p>Cash Flow: Explanation of Variances between Approved Budget and Actual</p> <p>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:</p> <p>Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.</p>									

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2011/12		2010/11
	R		R
Net surplus/(deficit) per the statement of financial performance	207 927 714		195 754 845
Revenue from Non-exchange Transactions			
Property Rates	(562 169)		(2 961 218)
Fines	162 001		(215 054)
Licences and Permits	12 450		7 945
Revenue for Agency Services	(2 311 576)		(1 866 784)
Government Grants and Subsidies Received	134 877 047		32 324 329
Public Contributions and Donations	1 065 743		(8 409 556)
Revenue from Exchange Transactions			
Service Charges	(2 124 181)		6 186 889
Rental of Facilities and Equipment	(251 093)		96 166
Interest Earned - External Investments	(7 859 260)		(2 925 024)
Interest Earned - Outstanding Debtors	(20 917 089)		(15 109 336)
Other Revenue	(4 666 957)		(3 403 686)
Gains on Disposal of Property, Plant and Equipment	(827 142)		-
Profit on Sale of Land	(532 476)		(2 580 462)
Expenditure			
Employee Related Costs	(15 272 128)		(7 408 005)
Remuneration of Councillors	(73 162)		(1 237 779)
Collection Costs	(66 425)		(9 498)
Depreciation and Amortisation	(11 935 721)		(1 810 404)
Impairment Losses	(1 084 040)		5 094 351
Repairs and Maintenance	779 327		(4 652 066)
Finance Costs	16 293		-
Bulk Purchases	(3 093 219)		(4 910 372)
Contracted Services	(4 425 062)		(1 297 201)
Grants and Subsidies Paid	5 877 095		(6 869 230)
General Expenses	(16 465 184)		(9 472 221)
Loss on Disposal of Property, Plant and Equipment	1 799 189		28 223
Net surplus/deficit per approved budget	260 049 974		164 354 850

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50 FINANCIAL INSTRUMENTS (Continued)

50.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2012								
Non-interest Bearing		0.00%	100 233 269	100 233 269	-	-	-	-
			100 233 269	100 233 269	-	-	-	-
30 June 2011								
Non-interest Bearing		0.00%	77 619 525	77 619 525	-	-	-	-
			77 619 525	77 619 525	-	-	-	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2012								
Non-interest Bearing		0.00%	70 702 516	70 702 516	-	-	-	-
Variable Interest Rate Instruments		4.98%	16 726 078	16 726 078	-	-	-	-
Fixed Interest Rate Instruments		6.37%	485 000 000	485 000 000	-	-	-	-
			572 428 594	572 428 594	-	-	-	-
30 June 2011								
Non-interest Bearing		0.00%	61 273 470	61 273 470	-	-	-	-
Variable Interest Rate Instruments		3.83%	51 013 222	51 013 222	-	-	-	-
Fixed Interest Rate Instruments		7.21%	243 000 000	243 000 000	-	-	-	-
			355 286 692	355 286 692	-	-	-	-

The municipality has access to financing facilities, the total unused amount which is R305 445 (2011: R575 550), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2012

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		499 108 504	499 108 504	-	-	-	-
Bank Balances and Cash	7		2 641 979	2 641 979	-	-	-	-
Total Fixed Rate Instruments			501 750 484	501 750 484	-	-	-	-

30 June 2011

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		262 788 944	262 788 944	-	-	-	-
Bank Balances and Cash	7		31 245 683	31 245 683	-	-	-	-
Total Fixed Rate Instruments			294 034 627	294 034 627	-	-	-	-

50.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

MOGALAKWENA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Mogalakwena Municipality at 30 June 2012.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2012 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Creditors and Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2012	2011
Surplus / (Deficit) before Appropriations	207 927 714	195 754 845
Surplus / (Deficit) at the end of the Year	1 260 038 440	1 052 110 725
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	29.76%	32.13%
Remuneration of Councillors	2.90%	2.93%
Collection Costs	0.02%	0.02%
Depreciation and Amortisation	8.88%	9.36%
Impairment Losses	8.35%	8.24%
Repairs and Maintenance	10.84%	13.64%
Bulk Purchases	23.58%	22.37%
Contracted Services	2.55%	2.77%
Grants and Subsidies Paid	7.41%	4.93%
General Expenses	5.36%	3.62%
Current Ratio:		
Trade Creditors Days	85	49
Debtors from Exchange Transactions Days	45	43

2.2 Performance Indicators:

INDICATOR	2012	2011
Borrowing Management:		
Capital Charges to Operating Expenditure	0.00%	0.00%
Borrowing to Total Capital Assets	0.00%	0.00%
Safety of Capital:		
Gearing	0.00%	0.00%
Liquidity:		
Current Ratio	1.98	1.99
Liquidity Ratio	1.70	1.56
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	77.82%	86.28%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	0.00%
Revenue Management:		
Current Debtors Collection Rate	73.25%	75.42%
Outstanding Debtors to Revenue	12.61%	13.34%
Creditors Management:		
Creditors to Cash and Investments	19.98%	26.40%
Financial Viability:		
Debt Coverage	13.23	17.08
Outstanding Service Debtors to Revenue	24.49%	25.01%
Cost Coverage	1.06	0.72

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Mogalakwena Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2012 are as follows:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	347 164 475	298 861 407	16.16	-	100.00
Operating income for the year	729 364 355	648 528 368	12.46	825 429 652	(11.64)
Appropriations for the year	(114 221 521)	(147 451 777)	(22.54)	-	100.00
	962 307 309	799 937 998	20.30	825 429 652	16.58
Expenditure:					
Operating expenditure for the year	521 436 640	452 773 523	15.17	565 379 678	(7.77)
Sundry transfers	-	-	-	-	-
Closing surplus / (deficit)	440 870 669	347 164 475	26.99	260 049 974	69.53
	962 307 309	799 937 998	20.30	825 429 652	16.58

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	460 480 221	329 916 213	39.57	466 782 178	(1.35)
Expenditure	276 562 265	236 428 905	16.97	308 821 066	(10.45)
Surplus / (Deficit)	183 917 957	93 487 308	96.73	157 961 112	16.43
Surplus / (Deficit) as % of total income	39.94%	28.34%		33.84%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	132 382	128 487	3.03	119 976	10.34
Expenditure	129 245	112 065	15.33	143 565	(9.97)
Surplus / (Deficit)	3 136	16 422	(80.90)	(23 589)	(113.30)
Surplus / (Deficit) as % of total income	2.37%	12.78%		(19.66)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	42 036 002	43 145 141	(2.57)	49 383 046	(14.88)
Expenditure	41 043 024	31 476 120	30.39	44 815 146	(8.42)
Surplus / (Deficit)	992 978	11 669 022	(91.49)	4 567 900	(78.26)
Surplus / (Deficit) as % of total income	2.36%	27.05%		9.25%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R105 612 315 (2011: R84 735 898). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	161 008 240	143 542 942	12.17	170 177 298	(5.39)
Expenditure	136 958 606	113 333 280	20.85	142 125 812	(3.64)
Surplus / (Deficit)	24 049 634	30 209 662	(20.39)	28 051 486	(14.27)
Surplus / (Deficit) as % of total income	14.94%	21.05%		16.48%	

3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R17 334 467 (2011: R16 553 730). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Income	65 707 509	131 795 585	(50.14)	138 967 154	(52.72)
Expenditure	66 743 500	71 423 153	(6.55)	69 474 089	(3.93)
Surplus / (Deficit)	(1 035 991)	60 372 432	(101.72)	69 493 065	(101.49)
Surplus / (Deficit) as % of total income	(1.58)%	45.81%		50.01%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R159 219 398 (2010/11: R192 720 059). Full details of Assets are disclosed in Notes 10, 11, 12, 13 and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R159 219 398 was financed as follows:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Percentage Variance %	Budgeted 2011/12 R	Variance actual/ budgeted %
Capital Replacement Reserve	13 296 366	26 831 939	(50.45)	22 872 228	(41.87)
Grants and Subsidies	145 140 671	157 970 104	(8.12)	276 587 499	(47.52)
Public Contributions	749 736	7 603 687	(90.14)	-	100.00
Own Funds (Accumulated Surplus)	32 626	314 330	(89.62)	-	100.00
	159 219 398	192 720 059	(17.38)	299 459 727	(46.83)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2012	2011
Capital Replacement Reserve	8.35%	13.92%
Grants and Subsidies	91.16%	81.97%
Public Contributions	0.47%	3.95%
Own Funds (Accumulated Surplus)	0.02%	0.16%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2012	2011
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	260 049 974	164 354 850
Revenue variances	(96 065 297)	(1 144 209)
Expenditure variances:		
Employee Related Costs	15 272 128	7 408 005
Remuneration of Councillors	73 162	1 237 779
Collection Costs	66 425	9 498
Depreciation and Amortisation	11 935 721	1 810 404
Impairment Losses	1 084 040	(5 094 351)
Repairs and Maintenance	(779 327)	4 652 066
Interest Paid	(16 293)	-
Bulk Purchases	3 093 219	4 910 372
Contracted Services	4 425 062	1 297 201
Grants and Subsidies Paid	(5 877 095)	6 869 230
General Expenses	16 465 184	9 472 221
Loss on disposal of Property, Plant and Equipment	(1 799 189)	(28 223)
Actual surplus before appropriations	207 927 714	195 754 845

DETAILS	2012	2011
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	260 049 974	164 354 850
Executive and Council	19 817 927	13 563 396
Finance and Administration	41 893 019	29 494 296
Planning and Development	4 474 341	2 265 808
Health	28 466	13 995
Community and Social Services	517 116	(3 387 474)
Housing	26 725	39 399
Public Safety	578 268	1 247 025
Sport and Recreation	(12 832 202)	(15 694 877)
Environmental Protection	76 507	35 929
Waste Management	(3 574 922)	(815 433)
Roads and Transport	(29 032 762)	(3 641 060)
Water	(70 529 056)	(15 680)
Electricity	(4 001 852)	8 306 742
Other	436 164	(12 068)
Actual surplus before appropriations	207 927 714	195 754 845

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2011/12 R	Actual 2010/11 R	Variance actual 2011/12 / 2010/11 R	Budgeted 2011/12 R	Variance actual/ budgeted R
Executive and Council	2 514 443	378 443	2 136 000	2 899 974	(385 531)
Finance and Administration	2 136 602	2 166 260	(29 658)	4 707 386	(2 570 784)
Planning and Development	237 903	119 365	118 539	579 451	(341 548)
Community and Social Services	14 182 575	3 065 979	11 116 596	13 756 837	425 738
Housing	-	-	-	370 000	(370 000)
Public Safety	1 396 325	927 044	469 281	3 140 091	(1 743 766)
Sport and Recreation	15 619 373	9 663 130	5 956 243	29 398 479	(13 779 106)
Environmental Protection	6 497	2 550	3 947	6 500	(3)
Waste Management	9 038 618	13 861 276	(4 822 657)	16 183 806	(7 145 188)
Roads and Transport	57 262 608	82 090 061	(24 827 453)	86 191 636	(28 929 028)
Water	49 458 215	60 836 073	(11 377 858)	122 331 653	(72 873 438)
Electricity	7 338 561	19 609 081	(12 270 519)	19 845 914	(12 507 353)
Other	27 677	798	26 879	48 000	(20 323)
	159 219 398	192 720 059	(33 500 661)	299 459 727	(140 240 329)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2012 amounted to R1 260 038 440 (30 June 2011: R1 052 110 725) and is made up as follows:

Capital Replacement Reserve	36 315 695
Capitalisation Reserve	82 591 527
Donations and Public Contributions Reserve	7 795 082
Government Grants Reserve	692 465 468
Accumulated Surplus	440 870 669
	<u>1 260 038 440</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Donations and Public Contributions Reserve is utilised to offset the cost of depreciation of assets funded from Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 23 and the Statement of Change in Net Assets for more detail.

7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2012 was R42 973 441 (30 June 2011: R38 011 209).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 21 for more detail.

8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R10 425 117 as at 30 June 2012 (30 June 2011: R7 894 897) and is made up as follows:

Provision for Long-term Service	6 764 942
Provision for Rehabilitation of Land-fill Sites	3 660 175
	<u>10 425 117</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 22 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R295 871 141 as at 30 June 2012 (30 June 2011: R188 215 248) and is made up as follows:

Consumer Deposits	Note 15	19 661 194
Provisions	Note 16	3 010 153
Payables	Note 17	100 233 269
Unspent Conditional Grants and Receipts	Note 18	172 966 526
		<u>295 871 141</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R1 010 210 300 as at 30 June 2012 (30 June 2011: R900 295 565).

Refer to Note 10 and Appendices "B, C and E (2)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 209 765 as at 30 June 2012 (30 June 2011: R621 319).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 11 and Appendix "B" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R3 006 244 as at 30 June 2012 (30 June 2011: R3 097 877).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 12 and Appendix "B" for more detail.

13. HERITAGE ASSETS

The net value of Heritage Assets were R5 736 342 as at 30 June 2012 (30 June 2011: R5 736 342).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 13 and Appendix "B" for more detail.

14. LONG-TERM RECEIVABLES

Long-term Receivables of R2 289 574 at 30 June 2012 (30 June 2011: R2 840 599) is made up as follows:

Debtors Capitalised Loans	7 171 185
Sale of Stand Loans	1 455 835
Study Cost Loans	50 015
	<hr/>
	8 677 035
Less: Short-term portion included in Current Assets	6 387 461
	<hr/>
	<u>2 289 574</u>

The increase in the amount for Long-term Receivables is due to the increased amount of debt arrangements entered into with consumer debtors.

Refer to Note 14 for more detail.

15. CURRENT ASSETS

Current Assets amounted R586 855 914 as at 30 June 2012 (30 June 2011: R373 640 379) and is made up as follows:

Inventories	Note 2	9 110 318
Receivables from Exchange Transactions	Note 4	31 396 148
Receivables from Non-exchange Transactions	Note 5	30 604 927
VAT Receivable	Note 6	7 495 337
Cash and Cash Equivalents	Note 7	501 750 484
Operating Lease Assets	Note 8	111 239
Current Portion of Long-term Debtors	Note 14	6 387 461
		<hr/>
		<u>586 855 914</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

16. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 18 and 25, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.

18. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2012

MOGALAKWENA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

		Actual	
	Note	2012 R	2011 R
ASSETS			
Current Assets		586 855 914	373 640 379
Inventories	2	9 110 318	8 402 622
Non-current Assets Held-for-Sale	3	-	311 250
Receivables from Exchange Transactions	4	31 396 148	25 609 890
Receivables from Non-exchange Transactions	5	30 604 927	26 470 704
VAT Receivable	6	7 495 337	12 423 537
Cash and Cash Equivalents	7	501 750 484	294 034 627
Operating Lease Receivables	8	111 239	56 877
Current Portion of Long-term Receivables	9	6 387 461	6 330 872
Non-Current Assets		1 022 452 225	912 591 701
Property, Plant and Equipment	10	1 010 210 300	900 295 565
Intangible Assets	11	1 209 765	621 319
Investment Property	12	3 006 244	3 097 877
Heritage Assets	13	5 736 342	5 736 342
Long-term Receivables	14	2 289 574	2 840 599
Total Assets		1 609 308 139	1 286 232 080
LIABILITIES			
Current Liabilities		295 871 141	188 215 248
Consumer Deposits	15	19 661 194	19 706 671
Provisions	16	3 010 153	3 508 189
Payables	17	100 233 269	77 619 525
Unspent Conditional Grants and Receipts	18	172 966 526	87 380 864
Non-Current Liabilities		53 398 558	45 906 106
Retirement Benefit Liabilities	21	42 973 441	38 011 209
Non-current Provisions	22	10 425 117	7 894 897
Total Liabilities		349 269 699	234 121 354
Total Assets and Liabilities		1 260 038 440	1 052 110 725
NET ASSETS		1 260 038 440	1 052 110 725
Accumulated Surplus / (Deficit)	23	1 260 038 440	1 052 110 725
Total Net Assets		1 260 038 440	1 052 110 725

MOGALAKWENA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		Actual	
	Note	2012 R	2011 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	24	38 795 308	35 268 655
Fines		1 145 537	1 404 133
Licences and Permits		67 550	68 910
Income for Agency Services		8 945 566	8 214 097
Government Grants and Subsidies Received	25	385 818 052	368 060 588
Public Contributions and Donations	26	14 772 113	8 401 556
Revenue from Exchange Transactions			
Service Charges	27	216 313 192	180 380 049
Rental of Facilities and Equipment	28	1 029 828	720 039
Interest Earned - External Investments	29	24 859 260	15 925 024
Interest Earned - Outstanding Debtors	29	23 074 189	17 229 336
Other Revenue	30	9 184 141	6 108 752
Gains on Disposal of Property, Plant and Equipment		827 142	-
Profit on Sale of Land:-		4 532 476	6 747 229
Sale of Land		4 532 476	6 747 229
Cost of Sales		-	-
Total Revenue		729 364 355	648 528 368
EXPENDITURE			
Employee Related Costs	31	155 186 871	145 456 584
Remuneration of Councillors	32	15 107 713	13 246 031
Collection Costs		118 575	90 502
Depreciation and Amortisation	33	46 291 144	42 380 634
Impairment Losses	34	43 538 102	37 288 231
Repairs and Maintenance		56 546 309	61 763 678
Finance Costs	35	16 293	-
Bulk Purchases	36	122 946 781	101 289 628
Contracted Services	37	13 292 516	12 530 808
Grants and Subsidies Paid	38	38 627 426	22 316 323
General Expenses	39	27 965 722	16 382 883
Loss on Disposal of Property, Plant and Equipment		1 799 189	28 223
Total Expenditure		521 436 640	452 773 523
SURPLUS / (DEFICIT) FOR THE YEAR		207 927 714	195 754 845
Refer to Appendix E(1) for explanation of budget variances			

MOGALAKWENA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2011			
Balance at 30 June 2010	-	856 355 880	856 355 880
Change in Accounting Policy (Note 41)	-	-	-
Correction of Error (Note 42)	-	-	-
Restated Balance	-	856 355 880	856 355 880
Surplus / (Deficit) for the year		195 754 845	195 754 845
Contributions to Funds and Reserves		-	-
Interest allocated to Funds and Reserves		-	-
Donated / Contributed PPE		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Asset disposals	-	-	-
Offsetting of Depreciation	-	-	-
Balance at 30 June 2011	-	1 052 110 725	1 052 110 725
2012			
Change in Accounting Policy (Note 41)		-	-
Correction of Error (Note 42)		-	-
Restated Balance	-	1 052 110 725	1 052 110 725
Surplus / (Deficit) for the year		207 927 714	207 927 714
Contributions to Funds and Reserves		-	-
Interest allocated to Funds and Reserves		-	-
Donated / Contributed PPE		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Asset disposals	-	-	-
Offsetting of Depreciation	-	-	-
Balance at 30 June 2012	-	1 260 038 440	1 260 038 440
	-	-	-

Details on the movement of the Funds and Reserves are set out in Note 23.

MOGALAKWENA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

		Actual	
	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	24	34 138 368	31 827 667
Government Grant and Subsidies	25	301 315 192	320 139 162
Public Contributions and Donations	26	13 689 311	8 401 556
Service Charges	27	169 620 001	143 819 023
Interest Received	29	24 859 260	15 925 024
Other Receipts		222 434 303	132 424 403
Payments			
Employee Related Costs	31	(149 219 401)	(135 458 950)
Remuneration of Councillors	32	(15 107 713)	(13 246 031)
Interest Paid	35	(16 293)	-
Suppliers Paid		(170 171 862)	(159 036 277)
Other Payments		(75 201 428)	(50 264 561)
NET CASH FLOWS FROM OPERATING ACTIVITIES		356 339 737	294 531 015
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(158 113 721)	(192 659 133)
Purchase of Intangible Assets	11	(1 105 678)	(60 927)
Proceeds on Disposal of Property, Plant and Equipment		5 203 181	40 243
Proceeds on Disposal of Heritage Assets		-	16 202
Profit on Sale of Land		4 532 476	6 747 229
Decrease / (Increase) in Long-term Receivables	14	859 861	166 259
NET CASH FLOWS FROM INVESTING ACTIVITIES		(148 623 880)	(185 750 126)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	20	-	-
Repayment of Borrowings	20	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7	207 715 857	108 780 889
Cash and Cash Equivalents at Beginning of Period		294 034 627	185 253 738
Cash and Cash Equivalents at End of Period		501 750 484	294 034 627

MOGALAKWENA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2012

30 June 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	6 138 285	2 575 587	-	8 713 872	9 110 318	-	396 446	104.55	148.42
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	0.00	0.00
Receivables from Exchange Transactions	29 395 880	2 905 990	-	32 301 870	31 396 148	-	(905 722)	97.20	106.80
Receivables from Non-exchange Transactions	27 124 951	(8 421 451)	-	18 703 500	30 604 927	-	11 901 427	163.63	112.83
VAT Receivable	10 718 940	-	-	10 718 940	7 495 337	-	(3 223 603)	69.93	69.93
Cash and Cash Equivalents	206 736 017	87 298 610	-	294 034 627	501 750 484	-	207 715 857	170.64	242.70
Operating Lease Receivables	-	-	-	-	111 239	-	111 239	0.00	0.00
Current Portion of Long-term Receivables	5 267 233	1 058 954	-	6 326 187	6 387 461	-	61 274	100.97	121.27
Non-Current Assets									
Property, Plant and Equipment	829 580 777	63 584 798	-	893 165 575	1 010 210 300	-	117 044 725	113.10	121.77
Intangible Assets	6 010 016	-	-	6 010 016	1 209 765	-	(4 800 251)	20.13	20.13
Investment Property	4 864 000	(1 766 123)	-	3 097 877	3 006 244	-	(91 633)	97.04	61.81
Heritage Assets	5 736 342	-	-	5 736 342	5 736 342	-	(0)	100.00	100.00
Long-term Receivables	3 074 759	(229 475)	-	2 845 284	2 289 574	-	(555 710)	80.47	74.46
Total Assets	1 134 647 200	147 006 890	-	1 281 654 090	1 609 308 139	-	327 654 049	125.56	141.83
Current Liabilities									
Consumer Deposits	2 999 218	16 707 453	-	19 706 671	19 661 194	-	(45 477)	99.77	655.54
Provisions	428 588	3 079 601	-	3 508 189	3 010 153	-	(498 036)	85.80	702.34
Payables	79 537 692	(3 707 549)	-	75 830 143	100 233 269	-	24 403 126	132.18	126.02
Unspent Conditional Grants and Receipts	36 588 166	50 792 698	-	87 380 864	172 966 526	-	85 585 662	197.95	472.74
Non-Current Liabilities									
Retirement Benefit Liabilities	27 034 552	9 121 554	-	36 156 106	42 973 441	-	6 817 335	118.86	158.96
Non-current Provisions	9 750 000	-	-	9 750 000	10 425 117	-	675 117	106.92	106.92
Total Liabilities	156 338 216	75 993 757	-	232 331 973	349 269 699	-	116 937 726	150.33	223.41
Total Assets and Liabilities	978 308 984	71 013 133	-	1 049 322 117	1 260 038 440	-	210 716 323	120.08	128.80
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	978 308 984	71 013 133	-	1 049 322 117	1 260 038 440	-	210 716 323	120.08	128.80
Total Net Assets	978 308 984	71 013 133	-	1 049 322 117	1 260 038 440	-	210 716 323	120.08	128.80

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	38 233 139	-	-	38 233 139	38 795 308	-	562 169	101.47	101.47
Fines	1 307 538	-	-	1 307 538	1 145 537	-	(162 001)	87.61	87.61
Licences and Permits	80 000	-	-	80 000	67 550	-	(12 450)	84.44	84.44
Income for Agency Services	6 633 990	-	-	6 633 990	8 945 566	-	2 311 576	134.84	134.84
Government Grants and Subsidies Received	415 620 336	105 074 763	-	520 695 099	241 273 156	-	(279 421 943)	46.34	58.05
Public Contributions and Donations	1 937 856	13 900 000	-	15 837 856	14 772 113	-	(1 065 743)	93.27	762.29
Revenue from Exchange Transactions									
Service Charges	214 189 011	-	-	214 189 011	216 313 192	-	2 124 181	100.99	100.99
Rental of Facilities and Equipment	778 735	-	-	778 735	1 029 828	-	251 093	132.24	132.24
Interest Earned - External Investments	10 883 221	6 116 779	-	17 000 000	24 859 260	-	7 859 260	146.23	228.42
Interest Earned - Outstanding Debtors	2 157 100	-	-	2 157 100	23 074 189	-	20 917 089	1 069.69	1 069.69
Other Income	2 103 572	2 413 612	-	4 517 184	9 184 141	-	4 666 957	203.32	436.60
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	827 142	-	827 142	0.00	0.00
Profit on Sale of Land	4 000 000	-	-	4 000 000	4 532 476	-	532 476	113.31	113.31
Total Revenue	697 924 498	127 505 154	-	825 429 652	584 819 459	-	(240 610 193)	70.85	83.79
Expenditure									
Employee Related Costs	170 034 499	424 500	-	170 458 999	155 186 871	-	(15 272 128)	91.04	91.27
Remuneration of Councillors	15 180 875	-	-	15 180 875	15 107 713	-	(73 162)	99.52	99.52
Collection Costs	185 000	-	-	185 000	118 575	-	(66 425)	64.09	64.09
Depreciation and Amortisation	58 226 865	-	-	58 226 865	46 291 144	-	(11 935 721)	79.50	79.50
Impairment Losses	36 784 552	7 837 590	-	44 622 142	43 538 102	-	(1 084 040)	97.57	118.36
Repairs and Maintenance	55 309 307	457 675	-	55 766 982	56 546 309	779 327	779 327	101.40	102.24
Finance Costs	-	-	-	-	16 293	16 293	16 293	0.00	0.00
Bulk Purchases	131 640 000	(5 600 000)	-	126 040 000	122 946 781	-	(3 093 219)	97.55	93.40
Contracted Services	19 702 200	(1 984 622)	-	17 717 578	13 292 516	-	(4 425 062)	75.02	67.47
Grants and Subsidies Paid	20 589 231	12 161 100	-	32 750 331	38 627 426	5 877 095	5 877 095	117.95	187.61
General Expenses	38 275 729	6 155 177	-	44 430 906	27 965 722	-	(16 465 184)	62.94	73.06
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	1 799 189	1 799 189	1 799 189	0.00	0.00
Total Expenditure	545 928 258	19 451 420	-	565 379 678	521 436 640	8 471 903	(43 943 038)	92.23	95.51
Surplus/(Deficit)	151 996 240	108 053 734	-	260 049 974	63 382 818	(8 471 903)	(196 667 156)	24.37	41.70
Transfers Recognised - Capital	-	-	-	-	144 544 896	144 544 896	144 544 896	0.00	0.00
Surplus/(Deficit for the Year)	151 996 240	108 053 734	-	260 049 974	207 927 714	136 072 993	(52 122 260)	79.96	136.80

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	486 853	2 413 121	-	2 899 974	2 514 443	-	(385 531)	86.71	516.47
Finance and Administration	1 566 968	3 140 418	-	4 707 386	2 136 602	-	(2 570 784)	45.39	136.35
Planning and Development	259 965	319 486	-	579 451	237 903	-	(341 548)	41.06	91.51
Community and Social Services	9 266 339	4 490 498	-	13 756 837	14 182 575	425 738	425 738	103.09	153.05
Housing	-	370 000	-	370 000	-	-	(370 000)	0.00	0.00
Public Safety	1 119 600	2 020 491	-	3 140 091	1 396 325	-	(1 743 766)	44.47	124.72
Sport and Recreation	27 158 357	2 240 122	-	29 398 479	15 619 373	-	(13 779 106)	53.13	57.51
Environmental Protection	3 000	3 500	-	6 500	6 497	-	(3)	99.96	216.58
Waste Management	15 317 236	866 570	-	16 183 806	9 038 618	-	(7 145 188)	55.85	59.01
Roads and Transport	86 223 155	(31 519)	-	86 191 636	57 262 608	-	(28 929 028)	66.44	66.41
Water	83 133 207	39 198 446	-	122 331 653	49 458 215	-	(72 873 438)	40.43	59.49
Electricity	24 031 761	(4 185 847)	-	19 845 914	7 338 561	-	(12 507 353)	36.98	30.54
Other	900	47 100	-	48 000	27 677	-	(20 323)	57.66	3 075.21
Total Sources of Capital Funds	248 567 341	50 892 386	-	299 459 727	159 219 398	425 738	(140 240 329)	53.17	64.05
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Property Rates	35 329 644	4 215 898	-	39 545 542	34 138 368	-	(5 407 174)	86.33	96.63
Grants	351 227 459	130 108 539	-	481 335 998	301 315 192	-	(180 020 806)	62.60	85.79
Public Contributions and Donations	-	-	-	-	13 689 311	13 689 311	13 689 311	0.00	0.00
Service Charges	191 189 011	53 000 000	-	244 189 011	169 620 001	-	(74 569 010)	69.46	88.72
Interest Received	8 250 000	8 750 000	-	17 000 000	24 859 260	7 859 260	7 859 260	146.23	301.32
Other Receipts	-	(19 706 671)	-	(19 706 671)	222 434 303	242 140 974	242 140 974	0.00	0.00
Employee Related Costs	(170 034 499)	-	-	(170 034 499)	(149 219 401)	20 815 098	20 815 098	0.00	0.00
Remuneration of Councillors	(15 180 875)	-	-	(15 180 875)	(15 107 713)	73 162	73 162	0.00	0.00
Interest Paid	(520 000)	520 000	-	-	(16 293)	-	(16 293)	0.00	0.00
Suppliers Paid	(273 361 192)	(103 519 717)	-	(376 880 909)	(170 171 862)	206 709 047	206 709 047	0.00	0.00
Other Payments	(1 785 487)	(455 649)	-	(2 241 136)	(75 201 428)	-	(72 960 292)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(65 052 999)	(210 046 079)	-	(275 099 078)	(158 113 721)	116 985 357	116 985 357	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(1 105 678)	-	(1 105 678)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	5 203 181	5 203 181	5 203 181	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	4 000 000	-	4 000 000	4 532 476	532 476	532 476	113.31	0.00
Decrease / (Increase) in Long-term Receivables	-	221 529 244	-	221 529 244	859 861	-	(220 669 383)	0.39	0.00
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	60 061 062	88 395 565	-	148 456 627	207 715 857	614 007 866	59 259 230	139.92	345.84

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<p>Financial Position: Explanation of Variances between Approved Budget and Actual</p> <p>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:</p> <p>Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.</p> <p>Financial Performance: Explanation of Variances between Approved Budget and Actual</p> <p>For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".</p> <p>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</p> <p>For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".</p> <p>Cash Flow: Explanation of Variances between Approved Budget and Actual</p> <p>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:</p> <p>Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.</p>									

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R

30 June 2011

FINANCIAL POSITION									
Current Assets									
Inventories	9 000 000	(3 419 741)	-	5 580 259	8 402 622	-	2 822 363	150.58	93.36
Non-current Assets Held-for-Sale	-	-	-	-	311 250	-	311 250	0.00	0.00
Receivables from Exchange Transactions	38 992 000	(12 832 975)	-	26 159 025	25 609 890	-	(549 135)	97.90	65.68
Receivables from Non-exchange Transactions	4 000 000	16 621 452	-	20 621 452	26 470 704	-	5 849 252	128.36	661.77
VAT Receivable	-	8 391 394	-	8 391 394	12 423 537	-	4 032 143	148.05	0.00
Cash and Cash Equivalents	117 000 000	68 253 738	-	185 253 738	294 034 627	-	108 780 889	158.72	251.31
Operating Lease Receivables	-	79 980	-	79 980	56 877	-	(23 103)	71.11	0.00
Current Portion of Long-term Receivables	1 300 000	3 881 575	-	5 181 575	6 330 872	-	1 149 297	122.18	486.99
Non-Current Assets									
Property, Plant and Equipment	804 820 000	(58 846 014)	-	745 973 986	900 295 565	-	154 321 579	120.69	111.86
Intangible Assets	-	1 126 016	-	1 126 016	621 319	-	(504 697)	55.18	0.00
Investment Property	5 000 000	(136 000)	-	4 864 000	3 097 877	-	(1 766 123)	63.69	61.96
Heritage Assets	-	-	-	-	5 736 342	-	5 736 342	0.00	0.00
Long-term Receivables	-	2 900 716	-	2 900 716	2 840 599	-	(60 117)	97.93	0.00
Total Assets	980 112 000	26 020 141	-	1 006 132 141	1 286 232 080	-	280 099 939	127.84	131.23
Current Liabilities									
Consumer Deposits	11 700 000	1 594 405	-	13 294 405	19 706 671	-	6 412 266	148.23	168.43
Provisions	2 000 000	(100 014)	-	1 899 986	3 508 189	-	1 608 203	184.64	175.41
Payables	90 000 000	(37 485 165)	-	52 514 835	77 619 525	-	25 104 690	147.80	86.24
Unspent Conditional Grants and Receipts	-	39 459 438	-	39 459 438	87 380 864	-	47 921 426	221.44	0.00
Non-Current Liabilities									
Retirement Benefit Liabilities	-	30 415 468	-	30 415 468	38 011 209	-	7 595 741	124.97	0.00
Non-current Provisions	-	5 955 132	-	5 955 132	7 894 897	-	1 939 765	132.57	0.00
Total Liabilities	103 700 000	39 839 264	-	143 539 264	234 121 354	-	90 582 090	163.11	225.77
Total Assets and Liabilities	876 412 000	(13 819 123)	-	862 592 877	1 052 110 725	-	189 517 848	121.97	120.05
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	876 412 000	(13 819 123)	-	862 592 877	1 052 110 725	-	189 517 848	121.97	120.05
Total Net Assets	876 412 000	(13 819 123)	-	862 592 877	1 052 110 725	-	189 517 848	121.97	120.05

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	32 307 437	-	-	32 307 437	35 268 655	-	2 961 218	109.17	109.17
Fines	1 189 079	-	-	1 189 079	1 404 133	-	215 054	118.09	118.09
Licences and Permits	76 855	-	-	76 855	68 910	-	(7 945)	89.66	89.66
Income for Agency Services	6 347 313	-	-	6 347 313	8 214 097	-	1 866 784	129.41	129.41
Government Grants and Subsidies Received	400 384 917	-	-	400 384 917	203 561 882	-	(196 823 035)	50.84	50.84
Public Contributions and Donations	(8 000)	-	-	(8 000)	8 401 556	-	8 409 556	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	186 566 938	-	-	186 566 938	180 380 049	-	(6 186 889)	96.68	96.68
Rental of Facilities and Equipment	816 205	-	-	816 205	720 039	-	(96 166)	88.22	88.22
Interest Earned - External Investments	13 000 000	-	-	13 000 000	15 925 024	-	2 925 024	122.50	122.50
Interest Earned - Outstanding Debtors	2 120 000	-	-	2 120 000	17 229 336	-	15 109 336	812.70	812.70
Other Income	2 705 066	-	-	2 705 066	6 108 752	-	3 403 686	225.83	225.83
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	4 166 767	-	-	4 166 767	6 747 229	-	2 580 462	161.93	161.93
Total Revenue	649 672 577	-	-	649 672 577	484 029 662	-	(165 642 915)	74.50	74.50
Expenditure									
Employee Related Costs	152 864 589	-	-	152 864 589	145 456 584	-	(7 408 005)	95.15	95.15
Remuneration of Councillors	14 483 810	-	-	14 483 810	13 246 031	-	(1 237 779)	91.45	91.45
Collection Costs	100 000	-	-	100 000	90 502	-	(9 498)	90.50	90.50
Depreciation and Amortisation	44 191 038	-	-	44 191 038	42 380 634	-	(1 810 404)	95.90	95.90
Impairment Losses	32 193 880	-	-	32 193 880	37 288 231	5 094 351	5 094 351	115.82	115.82
Repairs and Maintenance	66 415 744	-	-	66 415 744	61 763 678	-	(4 652 066)	93.00	93.00
Finance Costs	-	-	-	-	-	-	-	0.00	0.00
Bulk Purchases	106 200 000	-	-	106 200 000	101 289 628	-	(4 910 372)	95.38	95.38
Contracted Services	13 828 009	-	-	13 828 009	12 530 808	-	(1 297 201)	90.62	90.62
Grants and Subsidies Paid	29 185 553	-	-	29 185 553	22 316 323	-	(6 869 230)	76.46	76.46
General Expenses	25 855 104	-	-	25 855 104	16 382 883	-	(9 472 221)	63.36	63.36
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	28 223	28 223	28 223	0.00	0.00
Total Expenditure	485 317 727	-	-	485 317 727	452 773 523	5 122 573	(32 544 204)	93.29	93.29
Surplus/(Deficit)	164 354 850	-	-	164 354 850	31 256 139	(5 122 573)	(133 098 711)	19.02	19.02
Transfers Recognised - Capital	-	-	-	-	164 498 706	164 498 706	164 498 706	0.00	0.00
Surplus/(Deficit for the Year)	164 354 850	-	-	164 354 850	195 754 845	159 376 133	31 399 995	119.11	119.11

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	486 853	-	-	486 853	378 443	-	(108 410)	77.73	77.73
Finance and Administration	1 566 968	-	-	1 566 968	2 166 260	599 292	599 292	138.25	138.25
Planning and Development	259 965	-	-	259 965	119 365	-	(140 600)	45.92	45.92
Community and Social Services	9 266 339	-	-	9 266 339	3 065 979	-	(6 200 360)	33.09	33.09
Housing	-	-	-	-	-	-	-	0.00	0.00
Public Safety	1 119 600	-	-	1 119 600	927 044	-	(192 556)	82.80	82.80
Sport and Recreation	27 158 357	-	-	27 158 357	9 663 130	-	(17 495 227)	35.58	35.58
Environmental Protection	3 000	-	-	3 000	2 550	-	(450)	85.00	85.00
Waste Management	15 317 236	-	-	15 317 236	13 861 276	-	(1 455 960)	90.49	90.49
Roads and Transport	86 223 155	-	-	86 223 155	82 090 061	-	(4 133 094)	95.21	95.21
Water	83 133 207	-	-	83 133 207	60 836 073	-	(22 297 134)	73.18	73.18
Electricity	24 031 761	-	-	24 031 761	19 609 081	-	(4 422 680)	81.60	81.60
Other	900	-	-	900	798	-	(102)	88.69	88.69
Total Sources of Capital Funds	248 567 341	-	-	248 567 341	192 720 059	599 292	(55 847 282)	77.53	77.53
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Property Rates	483 182 365	175 716 213	-	658 898 578	31 827 667	-	(627 070 911)	4.83	6.59
Grants	-	-	-	-	320 139 162	320 139 162	320 139 162	0.00	0.00
Public Contributions and Donations	-	-	-	-	8 401 556	8 401 556	8 401 556	0.00	0.00
Service Charges	-	-	-	-	143 819 023	143 819 023	143 819 023	0.00	0.00
Interest Received	12 630 000	370 000	-	13 000 000	15 925 024	2 925 024	2 925 024	122.50	126.09
Other Receipts	-	-	-	-	132 424 403	132 424 403	132 424 403	0.00	0.00
Employee Related Costs	-	-	-	-	(135 458 950)	-	(135 458 950)	0.00	0.00
Remuneration of Councillors	-	-	-	-	(13 246 031)	-	(13 246 031)	0.00	0.00
Interest Paid	-	(600 000)	-	(600 000)	-	600 000	600 000	0.00	0.00
Suppliers Paid	(366 689 000)	(118 693 098)	-	(485 382 098)	(159 036 277)	326 345 821	326 345 821	0.00	0.00
Other Payments	-	-	-	-	(50 264 561)	-	(50 264 561)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(150 000 000)	38 358 174	-	(111 641 826)	(192 659 133)	-	(81 017 307)	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	(60 927)	-	(60 927)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	40 243	40 243	40 243	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	16 202	16 202	16 202	0.00	0.00
Profit on Sale of Land	-	-	-	-	6 747 229	6 747 229	6 747 229	0.00	0.00
Decrease / (Increase) in Long-term Receivables	527 000	(527 000)	-	-	166 259	166 259	166 259	0.00	31.55
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	-	0.00	0.00
Cash and Cash Equivalents at End of the Year	(20 349 635)	94 624 289	-	74 274 654	108 780 889	941 624 921	34 506 235	146.46	0.00

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
<p>Financial Position: Explanation of Variances between Approved Budget and Actual</p> <p>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:</p> <p>Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.</p> <p>Financial Performance: Explanation of Variances between Approved Budget and Actual</p> <p>For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".</p> <p>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</p> <p>For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".</p> <p>Cash Flow: Explanation of Variances between Approved Budget and Actual</p> <p>Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:</p> <p>Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.</p>									

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2011/12		2010/11
	R		R
Net surplus/(deficit) per the statement of financial performance	207 927 714		195 754 845
Revenue from Non-exchange Transactions			
Property Rates	(562 169)		(2 961 218)
Fines	162 001		(215 054)
Licences and Permits	12 450		7 945
Revenue for Agency Services	(2 311 576)		(1 866 784)
Government Grants and Subsidies Received	134 877 047		32 324 329
Public Contributions and Donations	1 065 743		(8 409 556)
Revenue from Exchange Transactions			
Service Charges	(2 124 181)		6 186 889
Rental of Facilities and Equipment	(251 093)		96 166
Interest Earned - External Investments	(7 859 260)		(2 925 024)
Interest Earned - Outstanding Debtors	(20 917 089)		(15 109 336)
Other Revenue	(4 666 957)		(3 403 686)
Gains on Disposal of Property, Plant and Equipment	(827 142)		-
Profit on Sale of Land	(532 476)		(2 580 462)
Expenditure			
Employee Related Costs	(15 272 128)		(7 408 005)
Remuneration of Councillors	(73 162)		(1 237 779)
Collection Costs	(66 425)		(9 498)
Depreciation and Amortisation	(11 935 721)		(1 810 404)
Impairment Losses	(1 084 040)		5 094 351
Repairs and Maintenance	779 327		(4 652 066)
Finance Costs	16 293		-
Bulk Purchases	(3 093 219)		(4 910 372)
Contracted Services	(4 425 062)		(1 297 201)
Grants and Subsidies Paid	5 877 095		(6 869 230)
General Expenses	(16 465 184)		(9 472 221)
Loss on Disposal of Property, Plant and Equipment	1 799 189		28 223
Net surplus/deficit per approved budget	260 049 974		164 354 850

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
R

1. GENERAL INFORMATION

Mogalakwena Municipality (the municipality) is a local government institution in Mokopane, Limpopo Province, and is one of six local municipalities under the jurisdiction of the Waterberg District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores - at cost	7 770 490	7 024 154
Property Stock	1 211 330	1 249 540
Water - at cost	128 498	128 929
Total Inventories	9 110 318	8 402 622

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R4,21 per kilolitre (2011: R3,88 per kilolitre).

The cost of Inventories recognised as an expense during the period was R10 094 (2011: R10 289) million.

Inventories of R2 193 (2011: R1 715) million are expected to be utilised only after more than twelve months.

Inventories of R3 923 (2011: R3 863) million are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	-	311 250
Net Non-current Assets Held-for-Sale	-	311 250

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	140 997 358	120 840 475	20 156 882
Electricity	28 295 050	16 321 196	11 973 854
Refuse	23 756 745	21 889 858	1 866 887
Sewerage	17 042 453	14 162 660	2 879 793
Water	71 903 110	68 466 762	3 436 348
Other Receivables	96 667 403	85 428 137	11 239 266
Total Receivables from Exchange Transactions	237 664 761	206 268 613	31 396 148

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Service Debtors:	114 187 686	96 724 330	17 463 356
Electricity	24 876 091	15 304 734	9 571 358
Refuse	20 076 677	18 400 135	1 676 542
Sewerage	14 462 139	11 844 835	2 617 304
Water	54 772 779	51 174 626	3 598 153
Other Receivables	76 783 884	68 637 350	8 146 534
Total Receivables from Exchange Transactions	190 971 570	165 361 680	25 609 890

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2012, the municipality is owed R28 285 354 (30 June 2011: R24 325 171) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2012

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	11 877 405	6 369 282	1 492 026	8 556 336	28 295 050
Less: Provision for Impairment	393 948	6 107 351	1 447 372	8 372 524	16 321 196
Net Balances	11 483 457	261 931	44 654	183 812	11 973 854
Refuse:					
Gross Balances	789 034	681 133	506 221	21 780 357	23 756 745
Less: Provision for Impairment	235 102	623 601	486 193	20 544 961	21 889 858
Net Balances	553 932	57 532	20 028	1 235 396	1 866 887
Sewerage:					
Gross Balances	745 778	514 798	390 452	15 391 426	17 042 453
Less: Provision for Impairment	182 641	478 448	354 686	13 146 884	14 162 660
Net Balances	563 136	36 350	35 765	2 244 541	2 879 793
Water:					
Gross Balances	3 550 888	2 577 120	2 245 234	63 529 869	71 903 110
Less: Provision for Impairment	1 178 143	2 451 496	2 224 220	62 612 903	68 466 762
Net Balances	2 372 744	125 624	21 014	916 966	3 436 348
Other Receivables:					
Gross Balances	1 265 787	2 306 252	2 251 631	90 843 732	96 667 403
Less: Provision for Impairment	440 616	2 093 063	2 056 692	80 837 767	85 428 137
Net Balances	825 171	213 190	194 939	10 005 966	11 239 266

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

As at 30 June Receivables of R15 597 708 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	12 448 586	6 885 564	200 101 720	219 435 869
Less: Provision for Impairment	11 753 959	6 569 164	185 515 039	203 838 161
Net Balances	694 627	316 400	14 586 681	15 597 708

As at 30 June 2011

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Electricity:

Gross Balances	9 602 563	5 780 784	1 367 246	8 125 499	24 876 091
Less: Provision for Impairment	614 671	5 352 592	1 356 330	7 981 141	15 304 734
Net Balances	8 987 892	428 192	10 915	144 358	9 571 358

Refuse:

Gross Balances	726 459	635 522	522 531	18 192 164	20 076 677
Less: Provision for Impairment	178 400	609 992	499 659	17 112 083	18 400 135
Net Balances	548 059	25 530	22 872	1 080 081	1 676 542

Sewerage:

Gross Balances	695 248	523 197	374 148	12 869 547	14 462 139
Less: Provision for Impairment	108 818	486 554	339 922	10 909 541	11 844 835
Net Balances	586 430	36 643	34 225	1 960 006	2 617 304

Water:

Gross Balances	2 602 715	3 070 637	1 565 929	47 533 498	54 772 779
Less: Provision for Impairment	479 439	2 642 641	1 410 693	46 641 853	51 174 626
Net Balances	2 123 276	427 996	155 236	891 645	3 598 153

Other Receivables:

Gross Balances	2 292 074	2 380 925	2 165 144	69 945 741	76 783 884
Less: Provision for Impairment	825 658	2 198 928	1 989 322	63 623 443	68 637 350
Net Balances	1 466 416	181 998	175 822	6 322 298	8 146 534

As at 30 June Receivables of R11 897 816 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	12 391 066	5 994 997	156 666 448	175 052 512
Less: Provision for Impairment	11 290 707	5 595 927	146 268 061	163 154 695
Net Balances	1 100 359	399 070	10 398 387	11 897 816

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
R

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	10 097 951	7 028 511	1 102 430	-
<u>Past Due:</u>				
31 - 60 Days	9 019 668	2 734 290	694 627	-
61 - 90 Days	5 450 805	1 118 359	316 400	-
+ 90 Days	176 286 984	9 228 055	14 586 681	-
Sub-total	200 855 408	20 109 215	16 700 138	-
Less: Provision for Impairment	192 374 206	13 894 407	-	-
Total Trade Receivables by Customer Classification	8 481 202	6 214 809	16 700 138	-

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	8 907 735	5 968 143	1 043 181	-
<u>Past Due:</u>				
31 - 60 Days	8 324 302	3 307 320	759 444	-
61 - 90 Days	4 712 328	1 007 757	274 912	-
+ 90 Days	137 520 056	6 922 713	12 223 679	-
Sub-total	159 464 421	17 205 933	14 301 217	-
Less: Provision for Impairment	149 257 100	16 104 580	-	-
Total Trade Receivables by Customer Classification	10 207 321	1 101 352	14 301 217	-

2012
R **2011**
R

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	165 361 680	131 219 144
Impairment Losses recognised	40 906 932	34 185 396
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	(42 860)
Amounts recovered	-	-
Balance at end of year	206 268 613	165 361 680

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
4.4 Ageing of impaired Receivables from Exchange Transactions		
<u>Current:</u>		
0 - 30 Days	2 430 451	2 206 985
<u>Past Due:</u>		
31 - 60 Days	11 753 959	11 290 707
61 - 90 Days	6 569 164	5 595 927
+ 90 Days	185 515 039	146 268 061
Total	206 268 613	165 361 680

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	52 296 753	38 168 898	14 127 855
Sundry Deposits	664 828	-	664 828
Sundry Debtors	4 090 048	-	4 090 048
Accruals	336 733	-	336 733
Recoverable Works	11 385 463	-	11 385 463
Total Receivables from Non-exchange Transactions	68 773 825	38 168 898	30 604 927
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Assessment Rates Debtors	47 639 813	35 228 893	12 410 920
Sundry Deposits	463 060	-	463 060
Sundry Debtors	2 262 100	-	2 262 100
Accruals	370 826	-	370 826
Recoverable Works	10 963 798	-	10 963 798
Total Receivables from Non-exchange Transactions	61 699 596	35 228 893	26 470 704

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality. Included in Sundry Debtors is an amount of R8 286 (2011: R9 247) million in respect of the consumption of metered services not billed as at 30 June.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2012

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	3 194 515	2 043 214	1 701 966	45 357 058	52 296 753
Less: Provision for Impairment	450 331	1 832 758	1 436 246	34 449 563	38 168 898
Net Balances	2 744 183	210 457	265 720	10 907 495	14 127 855
Sundry Deposits:					
Gross Balances	664 828	-	-	-	664 828
Less: Provision for Impairment	-	-	-	-	-
Net Balances	664 828	-	-	-	664 828
Sundry Debtors:					
Gross Balances	4 090 048	-	-	-	4 090 048
Less: Provision for Impairment	-	-	-	-	-
Net Balances	4 090 048	-	-	-	4 090 048
Accruals:					
Gross Balances	336 733	-	-	-	336 733
Less: Provision for Impairment	-	-	-	-	-
Net Balances	336 733	-	-	-	336 733
Recoverable Works:					
Gross Balances	11 385 463	-	-	-	11 385 463
Less: Provision for Impairment	-	-	-	-	-
Net Balances	11 385 463	-	-	-	11 385 463

As at 30 June Receivables of R11 383 671 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	2 043 214	1 701 966	45 357 058	49 102 238
Less: Provision for Impairment	1 832 758	1 436 246	34 449 563	37 718 567
Net Balances	210 457	265 720	10 907 495	11 383 671

As at 30 June 2011

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	2 839 100	1 825 989	940 645	42 034 078	47 639 813
Less: Provision for Impairment	304 505	1 682 208	807 332	32 434 848	35 228 893
Net Balances	2 534 595	143 782	133 313	9 599 230	12 410 920
Sundry Deposits:					
Gross Balances	463 060	-	-	-	463 060
Less: Provision for Impairment	-	-	-	-	-
Net Balances	463 060	-	-	-	463 060

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

				2012 R	2011 R
Sundry Debtors:					
Gross Balances	2 262 100	-	-	-	2 262 100
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 262 100	-	-	-	2 262 100
Accruals:					
Gross Balances	370 826	-	-	-	370 826
Less: Provision for Impairment	-	-	-	-	-
Net Balances	370 826	-	-	-	370 826
Recoverable Works:					
Gross Balances	10 963 798	-	-	-	10 963 798
Less: Provision for Impairment	-	-	-	-	-
Net Balances	10 963 798	-	-	-	10 963 798

As at 30 June Receivables of R9 876 325 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:				
Gross Balances	1 825 989	940 645	42 034 078	44 800 713
Less: Provision for Impairment	1 682 208	807 332	32 434 848	34 924 388
Net Balances	143 782	133 313	9 599 230	9 876 325

5.2 Summary of Assessment Rates Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	1 794 266	1 198 704	201 545	-
<u>Past Due:</u>				
31 - 60 Days	1 159 487	673 271	210 457	-
61 - 90 Days	1 237 185	199 061	265 720	-
+ 90 Days	31 933 277	2 516 286	10 907 495	-
Sub-total	36 124 215	4 587 322	11 585 216	-
Less: Provision for Impairment	34 539 198	3 629 700	-	-
Total Rates Debtors by Customer Classification	1 585 017	957 622	11 585 216	-
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
<u>Current:</u>				
0 - 30 days	1 552 300	1 139 169	147 630	-
<u>Past Due:</u>				
31 - 60 Days	1 067 129	615 078	143 782	-
61 - 90 Days	556 829	250 503	133 313	-
+ 90 Days	29 571 695	2 863 153	9 599 230	-
Sub-total	32 747 954	4 867 904	10 023 955	-
Less: Provision for Impairment	30 669 888	4 559 005	-	-
Total Rates Debtors by Customer Classification	2 078 066	308 899	10 023 955	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
5.3 Reconciliation of Provision for Impairment		
Balance at beginning of year	35 228 893	32 759 826
Impairment Losses recognised	2 940 005	2 469 067
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	38 168 898	35 228 893

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Furtermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

6. VAT RECEIVABLE

Vat Receivable	7 495 337	12 423 537
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VAT Receivable has been restated to correctly classify amounts receivable in terms of a VAT Audit performed. Refer to Note 42.1 on "Correction of Error" for details of the restatement.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. CASH AND CASH EQUIVALENTS

Current Investments	499 108 504	262 788 944
Bank Accounts	2 617 573	31 224 278
Cash and Cash Equivalents	24 406	21 405
Total Bank, Cash and Cash Equivalents	501 750 484	294 034 627

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
7.1 Current Investment Deposits		
Call Deposits	14 108 504	19 788 944
Notice Deposits	485 000 000	243 000 000
Total Current Investment Deposits	499 108 504	262 788 944

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3,00 % to 5,00 % (2011: 4,90% to 5,50%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5,54 % to 5,68 % (2011: 5,40 % to 6,53 %)per annum.

Deposits attributable to Unspent Conditional Grants	172 966 526	87 380 864
Deposits attributable to Capital Replacement Reserve.	36 315 695	29 623 291
Deposits attributable to Creditors	100 233 269	77 619 525
Deposits attributable to Current Provisions	3 010 153	3 508 189
Deposits attributable to Consumer Deposits	19 661 194	19 706 671
Deposits attributable to Rehabilitation of Landfill Site	3 660 175	2 633 229
Deposits attributable to Long-service Awards	6 764 942	5 261 668
Deposits attributable to Retirement Benefits	42 973 441	37 055 508
Deposits attributable for Eskom Upgrading	32 000 000	-
Deposits attributable to Provision for Impairment	81 523 110	-
Total Deposits attributable to Commitments of the Municipality	499 108 504	262 788 944

7.2 Bank Accounts

Cash in Bank	2 617 573	31 224 278
Total Bank Accounts	2 617 573	31 224 278

The Municipality has the following bank accounts:

Primary Bank Account

Standard Bank - Mokopane Branch, Mokopane - Account Number 031 264 344:

Cash book balance at beginning of year	31 224 278	17 614 236
Cash book balance at end of year	2 617 573	31 224 278
Bank statement balance at beginning of year	18 666 364	10 127 043
Bank statement balance at end of year	3 979 779	18 666 364

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	24 406	21 405
Total Cash on hand in Cash Floats, Advances and Equivalents	24 406	21 405

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
8. OPERATING LEASE RECEIVABLES		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	56 877	79 980
Operating Lease Revenue recorded	803 696	328 113
Operating Lease Revenue effected	(749 334)	(351 216)
Total Operating Lease Receivables	111 239	56 877

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 82 (2011: 1 to 83) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its investment property, all of which is leased out under operating leases, amounted to R550 871 (2011: R503 986).

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	677 798	232 500
2 to 5 years	1 574 692	300 810
More than 5 years	232 786	240 953
Total Operating Lease Arrangements	2 485 276	774 264

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R54 362 (2011: decrease of R23 103) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

9. CURRENT PORTION OF LONG-TERM RECEIVABLES

Debtors Capitalised Loans	4 881 611	4 871 120
Removal Cost Loans	-	4 685
Sale of Stand Loans	1 455 835	1 401 289
Study Cost Loans	50 015	53 777
Total Current Portion of Long-term Receivables	6 387 461	6 330 872

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10 PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2011	86 783 906	687 639 737	87 626 046	38 245 877	900 295 565
Cost	93 893 479	922 028 829	125 740 811	72 357 279	1 214 020 398
- Completed Assets	93 855 664	865 055 738	114 594 990	72 005 884	1 145 512 276
- Under Construction	37 815	56 973 091	11 145 821	351 395	68 508 122
Correction of error (Note 42)	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(739 910)	(739 910)
Accumulated Depreciation:	(7 109 573)	(234 389 093)	(38 114 765)	(33 371 492)	(312 984 923)
- Cost	(7 109 573)	(234 389 093)	(38 114 765)	(33 371 492)	(312 984 923)
Acquisitions	2 330 399	72 335 560	8 606 948	10 214 279	93 487 185
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	63 359	51 561 117	11 103 029	1 899 030	64 626 536
- Cost	63 359	51 561 117	11 103 029	1 899 030	64 626 536
- Borrowing Costs Capitalised	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(799 542)	(32 269 321)	(4 179 904)	(8 433 513)	(45 682 280)
- Based on Cost	(799 542)	(32 269 321)	(4 179 904)	(8 433 513)	(45 682 280)
Carrying value of Disposals:	-	(1 356 203)	-	(1 220 647)	(2 576 850)
- Cost	-	(2 551 712)	-	(4 256 799)	(6 808 511)
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	1 195 509	-	3 036 152	4 231 661
- Based on Cost	-	1 195 509	-	3 036 152	4 231 661
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-
- Cost	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	(37 815)	(53 018 257)	(11 145 821)	(351 395)	(64 553 288)
Other Movements	37 815	59 373 667	4 850 555	351 395	64 613 432
- Cost	37 815	59 373 667	4 850 555	351 395	64 613 432
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
Carrying values at 30 June 2012	88 378 122	784 266 299	96 860 854	40 705 025	1 010 210 300
Cost	96 287 237	1 049 729 204	139 155 523	80 213 788	1 365 385 752
- Completed Assets	96 223 878	994 213 253	128 052 493	78 314 759	1 296 804 383
- Under Construction	63 359	55 515 951	11 103 029	1 899 030	68 581 369
Accumulated Impairment Losses	-	-	-	(739 910)	(739 910)
Accumulated Depreciation:	(7 909 116)	(265 462 904)	(42 294 669)	(38 768 853)	(354 435 542)
- Cost	(7 909 116)	(265 462 904)	(42 294 669)	(38 768 853)	(354 435 542)

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Total
R	R	R	R	R	R
Carrying values at 01 July 2010	87 454 933	546 085 872	72 949 455	35 717 731	742 207 990
Cost	93 823 091	754 086 912	113 175 529	59 500 099	1 020 585 630
- Completed Assets	93 823 091	672 003 853	110 924 477	59 196 105	935 947 526
- Under Construction	-	82 083 059	2 251 052	303 994	84 638 105
Correction of error (Note 42)	-	-	-	-	-
Accumulated Impairment Losses	-	-	(763 112)	-	(763 112)
Accumulated Depreciation:	(6 368 158)	(208 001 041)	(39 462 962)	(23 782 368)	(277 614 528)
- Cost	(6 368 158)	(208 001 041)	(39 462 962)	(23 782 368)	(277 614 528)
Acquisitions	32 573	113 207 995	1 495 655	13 612 301	128 348 524
Borrowing Costs Capitalised	-	-	-	-	-
Capital under Construction - Additions:	37 815	53 079 572	11 145 821	47 401	64 310 609
- Cost	37 815	53 079 572	11 145 821	47 401	64 310 609
- Borrowing Costs Capitalised	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(741 415)	(26 388 052)	(4 525 533)	(10 068 377)	(41 723 377)
- Based on Cost	(741 415)	(26 388 052)	(4 525 533)	(10 068 377)	(41 723 377)
Carrying value of Disposals:	-	-	-	(12 020)	(12 020)
- Cost	-	-	-	(52 522)	(52 522)
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	40 502	40 502
- Based on Cost	-	-	-	40 502	40 502
Carrying value of Transfers to Held-for-Sale:	-	-	-	(311 250)	(311 250)
- Cost	-	-	-	(750 000)	(750 000)
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	438 750	438 750
- Based on Cost	-	-	-	438 750	438 750
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	(739 910)	(739 910)
Capital under Construction - Completed	-	(78 189 540)	(2 251 052)	-	(80 440 592)
Other Movements	-	79 843 890	8 811 701	-	88 655 591
- Cost	-	79 843 890	2 174 858	-	82 018 749
- Accumulated Impairment Losses	-	-	763 112	-	763 112
- Accumulated Depreciation	-	-	5 873 730	-	5 873 730
- Based on Cost	-	-	5 873 730	-	5 873 730
Carrying values at 30 June 2011	86 783 906	687 639 737	87 626 046	38 245 877	900 295 565
Cost	93 893 479	922 028 829	125 740 811	72 357 279	1 214 020 398
- Completed Assets	93 855 664	865 055 738	114 594 990	72 005 884	1 145 512 276
- Under Construction	37 815	56 973 091	11 145 821	351 395	68 508 122
Accumulated Impairment Losses	-	-	-	(739 910)	(739 910)
Accumulated Depreciation:	(7 109 573)	(234 389 093)	(38 114 765)	(33 371 492)	(312 984 923)
- Cost	(7 109 573)	(234 389 093)	(38 114 765)	(33 371 492)	(312 984 923)

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously included in Property, Plant and Equipment. Refer to Note 41.2 on "Change in Accounting Policy" for details of the restatement.

Furthermore, *Property, Plant and Equipment* has been restated to disclose Library Books in terms of FAQ for Entities on GRAP of 16 May 2011. Refer to Note 42.2 on "Correction of Error" for details of the restatement.

Other movements of Property, Plant and Equipment include the transfer of Major Spare Parts to the amount of R60 144 (2011: R1 578 157) and Work-in-Progress of R64 553 288 (2011: R80 440 592) completed and transferred to Cost. The recoupment of Accumulated Depreciation and Impairment Losses due to improvements to the Swimming Pool amount to R0 (2011: R6 636 842).

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
10 PROPERTY, PLANT AND EQUIPMENT (Continued)		
10.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
10.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal		
Other	-	311 250
Carrying Amount of PPE retired from active use and held for disposal	-	311 250
10.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
10.4 Impairment of Property, Plant and Equipment		
No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.		
The amount of R0 (2011: R739 910) disclosed for impairment losses on Property, Plant and Equipment is in respect of an individual amount of impairment losses applicable to a vehicle damaged in an accident:		
Other Assets: Motor Vehicles	-	739 910
Total Impairment of Property, Plant and Equipment	-	739 910
Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.		
10.5 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
11 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	1 209 765	621 319
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2011	621 319	621 319
Cost	3 743 238	3 743 238
Work-in-Progress		
Accumulated Amortisation	(3 121 919)	(3 121 919)
Acquisitions:	1 105 678	1 105 678
Purchased	1 095 678	1 095 678
Work-in-Progress	10 000	10 000
Amortisation:	(517 231)	(517 231)
Purchased	(517 231)	(517 231)
Internally Developed	-	-
Carrying values at 30 June 2012	1 209 765	1 209 765
Cost	4 838 916	4 838 916
Work-in-Progress	10 000	10 000
Accumulated Amortisation	(3 639 150)	(3 639 150)

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	Computer Software	Total
Carrying values at 01 July 2010	1 126 016	1 126 016
Cost	3 682 311	3 682 311
Work-in-Progress	-	-
Accumulated Amortisation	(2 556 295)	(2 556 295)
Acquisitions:	60 927	60 927
Purchased	60 927	60 927
Work-in-Progress	-	-
Amortisation:	(565 624)	(565 624)
Purchased	(565 624)	(565 624)
Internally Developed	-	-
Carrying values at 30 June 2011	621 319	621 319
Cost	3 743 238	3 743 238
Work-in-Progress	-	-
Accumulated Amortisation	(3 121 919)	(3 121 919)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

11.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

11.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

11.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
12 INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>3 006 244</u>	<u>3 097 877</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	3 097 877	3 189 509
Cost	4 564 000	4 564 000
Accumulated Depreciation	(1 466 123)	(1 374 491)
Acquisitions during the Year	-	-
Depreciation during the Year	(91 633)	(91 633)
Carrying values at 30 June	3 006 244	3 097 877
Cost	4 564 000	4 564 000
Accumulated Depreciation	(1 557 756)	(1 466 123)
Estimated Fair Value of Investment Property at 30 June	<u>5 189 000</u>	<u>4 860 000</u>
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	550 871	503 986

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

12.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

12.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

13 HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	<u>5 736 342</u>				<u>5 736 342</u>
The movement in Heritage Assets is reconciled as follows:					
	Municipal Jewelry	Cultural Buildings	Historical Sites	National Momuments	Total
Carrying values at 01 July 2011	-	51	5 736 139	152	5 736 342
Cost	-	51	5 736 139	152	5 736 342
Accumulated Impairment	-	-	-	-	-
Acquisitions	-	-	-	-	-
Disposals:	-	-	-	-	-
At Cost	-	-	-	-	-
At Accumulated Impairment	-	-	-	-	-
Carrying values at 30 June 2012	-	51	5 736 139	152	5 736 342
Cost	-	51	5 736 139	152	5 736 342
Accumulated Impairment Losses	-	-	-	-	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

				2012 R	2011 R
	Municipal Jewelry	Cultural Buildings	Historical Sites	National Momuments	Total
Carrying values at 01 July 2010	16 202	51	5 736 139	152	5 752 544
Cost	16 202	51	5 736 139	152	5 752 544
Accumulated Impairment	-	-	-	-	-
Acquisitions	-	-	-	-	-
Disposals:	(16 202)	-	-	-	(16 202)
At Cost	(16 202)	-	-	-	(16 202)
At Accumulated Impairment	-	-	-	-	-
Carrying values at 30 June 2011	-	51	5 736 139	152	5 736 342
Cost	-	51	5 736 139	152	5 736 342
Accumulated Impairment Losses	-	-	-	-	-

Heritage Assets have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously included in Property, Plant and Equipment. Refer to Note 41.2 on "Change in Accounting Policy" for details of the restatement.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

13.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

13.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

14 LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Debtors Capitalised Loans	8 360 638	1 189 453	7 171 185
Removal Cost Loans	(0)	-	(0)
Sale of Stand Loans	1 455 835	-	1 455 835
Study Cost Loans	50 015	-	50 015
	<u>9 866 487</u>	<u>1 189 453</u>	8 677 035
Less: Current Portion transferred to Current Receivables:-			6 387 461
Debtors Capitalised Loans			4 881 611
Removal Cost Loans			-
Sale of Stand Loans			1 455 835
Study Cost Loans			50 015
Total Long-term Receivables			<u>2 289 574</u>

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Debtors Capitalised Loans	9 206 493	1 498 288	7 708 205
Removal Cost Loans	8 199	-	8 199
Sale of Stand Loans	1 401 289	-	1 401 289
Study Cost Loans	53 777	-	53 777
	<u>10 669 760</u>	<u>1 498 288</u>	<u>9 171 471</u>
Less: Current Portion transferred to Current Receivables:-			6 330 872
Debtors Capitalised Loans			4 871 120
Removal Cost Loans			4 685
Sale of Stand Loans			1 401 289
Study Cost Loans			53 777
Total Long-term Receivables			<u>2 840 599</u>

DEBTORS CAPITALISED

Arrear amounts on services are capitalised on completion of a formal agreement or upon being handed over to attorneys for collection. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 48 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

REMOVAL COST

The municipality pays the full removal cost of qualifying newly appointed staff of which the employees repay 50% by means of a loan over a maximum period of 2 years. The loans are repayable in the year 2011/12.

SALE OF STANDS

Stands are sold on a cash/bank guarantee basis. The outstanding loans are repayable in the year 2011/12.

STUDY COST LOANS

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of loans granted before 01 July 2005. Beneficiaries were entitled to Study Cost Loans at an interest rate of 5,00% per annum, repayable over a maximum period of 6 years. The balance of the loans are in respect of third parties and are repayable in the year 2011/12.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

14.1 Ageing of Long-term Receivables

Current:

0 - 30 days	-	-
-------------	---	---

Past Due:

31 - 60 Days	-	-
--------------	---	---

61 - 90 Days	-	-
--------------	---	---

91 - 120 Days	-	-
---------------	---	---

+ 120 Days	9 866 487	10 669 760
------------	-----------	------------

Total	<u>9 866 487</u>	<u>10 669 760</u>
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As at 30 June Long-term Receivables of R9 866 487 (2011: R10 669 760) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days	-	-
--------------	---	---

61 - 90 Days	-	-
--------------	---	---

+ 90 Days	-	-
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+ 120 Days	9 866 487	10 669 760
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Total	<u>9 866 487</u>	<u>10 669 760</u>
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MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
14.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year	1 498 288	1 604 430
Impairment Losses recognised	-	-
Impairment Losses reversed	(308 836)	(106 141)
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	1 189 453	1 498 288

15 CONSUMER DEPOSITS

Electricity and Water	19 661 194	19 706 671
Total Consumer Deposits	19 661 194	19 706 671
Guarantees held in lieu of Electricity and Water Deposits	1 775 596	1 775 596

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

16 PROVISIONS

Performance Bonuses	1 093 029	1 670 451
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 21)	1 306 656	1 271 148
Current Portion of Non-Current Provisions (See Note 22):	610 468	566 590
Long-term Service	610 468	566 590
Rehabilitation of Land-fill Sites	-	-
Total Provisions	3 010 153	3 508 189

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision has been reversed for the previous year as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

The movement in provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	1 670 451	-
Contributions to provision	(577 422)	1 670 451
Expenditure incurred	-	-
Balance at end of year	1 093 029	1 670 451

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
30 June 2012		
Balance at beginning of year	566 590	1 271 148
Transfer from non-current	610 468	1 305 625
Expenditure incurred	(566 590)	(1 270 117)
Balance at end of year	610 468	1 306 656

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
	Long-term Service R	Post-retirement R
30 June 2011		
Balance at beginning of year	757 382	1 142 604
Transfer from non-current	566 590	1 271 148
Expenditure incurred	(757 382)	(1 142 604)
Balance at end of year	566 590	1 271 148

	2012 R	2011 R
17 PAYABLES		
Trade Creditors	51 503 692	25 922 217
Payments received in Advance	9 717 616	11 940 743
Retentions	18 786 164	21 219 145
Staff Bonuses	3 706 007	3 310 640
Staff Leave Accrued	15 843 271	13 597 227
Sundry Deposits	376 517	317 833
Other Creditors	300 000	1 311 719
Total Payables	100 233 269	77 619 525

Payables have been restated to correctly classify amounts due for Creditors not accrued for previously. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

Furthermore, *Payables* have been restated to correctly classify amounts held for Retentions erroneously written-off in the previous financial year. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

18.1 Conditional Grants from Government	171 883 724	87 380 864
National Government Grants	166 930 566	82 694 362
Provincial Government Grants	(0)	1 411 184
Local Government Grants	2 000 000	-
Other Spheres of Government	2 953 159	3 275 318
18.2 Other Conditional Receipts	1 082 801	-
Public Contributions	1 082 801	-
Total Conditional Grants and Receipts	172 966 526	87 380 864

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 25 for the reconciliation of Grants from Government and Note 26 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
19 OPERATING LEASE LIABILITIES		
Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:		
Balance at beginning of year	(0)	-
Operating Lease expenses recorded	285 692	318 927
Operating Lease payments effected	(285 692)	(318 927)
Total Operating Lease Liabilities	<u><u>-</u></u>	<u><u>-</u></u>

19.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

19.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Other Equipment:	375 094	469 932
Up to 1 year	225 549	255 704
2 to 5 years	149 545	214 228
More than 5 years	-	-
Total Operating Lease Arrangements	<u><u>375 094</u></u>	<u><u>469 932</u></u>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	285 692	318 927
Total Operating Lease Expenses	<u><u>285 692</u></u>	<u><u>318 927</u></u>

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

20 LONG-TERM LIABILITIES

The municipality did not have any liabilities to be classified as Long-term Liabilities in terms of its Accounting Policies and Cash Management Policy at year-end.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
21 RETIREMENT BENEFIT LIABILITIES		
21.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	38 011 209	30 415 468
Contributions to Provision	6 268 888	8 866 889
Balance at end of Year	<u>44 280 097</u>	<u>39 282 357</u>
Transfer to Current Provisions	(1 306 656)	(1 271 148)
Total Post-retirement Health Care Benefits Liability	<u>42 973 441</u>	<u>38 011 209</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	203	206
In-service Non-members (Employees)	472	460
Continuation Members (Retirees, widowers and orphans)	41	43
Total Members	<u>716</u>	<u>709</u>

The liability in respect of past service has been estimated as follows:

In-service Members	27 774 240	22 737 279
Continuation Members	16 505 857	16 545 078
Total Liability	<u>44 280 097</u>	<u>39 282 357</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2012 is estimated to be R1 953 916, whereas the cost for the ensuing year is estimated to be R2 177 341 (30 June 2011: R1 539 645 and R1 953 916 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.01%	8.68%
Health Care Cost Inflation Rate	7.04%	7.34%
Net Effective Discount Rate	90.00%	1.25%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	39 282 357	31 558 072
Current service costs	1 953 916	1 539 645
Interest cost	3 356 453	2 858 224
Benefits paid	(1 270 117)	(1 142 604)
Actuarial losses / (gains)	957 488	4 469 020
Present Value of Fund Obligation at the end of the Year	44 280 097	39 282 357
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	44 280 097	39 282 357

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	44 280 097	39 282 357
Unfunded Accrued Liability	44 280 097	39 282 357
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	44 280 097	39 282 357

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 953 916	1 539 645
Interest cost	3 356 453	2 858 224
Actuarial losses / (gains)	957 488	4 469 020
Adjustment for Short-term Portion from Previous Year	1 031	-
Total Post-retirement Benefit included in Employee Related Costs (Note 31)	6 268 888	8 866 889

The history of experienced adjustments is as follows:

	2012 R	2011 R	2010 R	2009 R	2008 R
Present Value of Defined Benefit Obligation	44 280 097	39 282 357	31 558 072	30 955 965	-
Deficit	44 280 097	39 282 357	31 558 072	30 955 965	-
Experienced adjustments on Plan Liabilities	(1 526 436)	1 194 736	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	1 058 332	815 462
Effect on the defined benefit obligation	7 706 015	6 559 965

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(839 491)	(654 067)
Effect on the defined benefit obligation	(6 222 247)	(5 332 013)

The municipality expects to make a contribution of R5 673 million (2011: R5 310 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 51, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
22 NON-CURRENT PROVISIONS		
Provision for Long Service Awards	6 764 942	5 261 668
Provision for Rehabilitation of Land-fill Sites	3 660 175	2 633 229
Total Non-current Provisions	10 425 117	7 894 897

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
30 June 2012		
Balance at beginning of year	5 261 668	2 633 229
Contributions to provision	2 113 742	1 026 946
	<u>7 375 410</u>	<u>3 660 175</u>
Transfer to current provisions	(610 468)	-
Balance at end of year	6 764 942	3 660 175

	Long-service Awards R	Land-fill Sites R
30 June 2011		
Balance at beginning of year	4 115 594	1 839 539
Contributions to provision	1 712 664	793 690
	<u>5 828 258</u>	<u>2 633 229</u>
Transfer to current provisions	(566 590)	-
Balance at end of year	5 261 668	2 633 229

22.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 674 (2011: 662) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2012 is estimated to be R799 362, whereas the cost for the ensuing year is estimated to be R972 461 (30 June 2011: R663 240 and R799 362 respectively).

	2012 R	2011 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	6.45%	7.78%
Cost Inflation Rate	5.97%	6.27%
Net Effective Discount Rate	46.00%	1.42%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	5 828 258	4 872 976
Current service costs	799 362	663 240
Interest cost	431 690	406 438
Benefits paid	(566 590)	(757 382)
Actuarial losses / (gains)	882 690	642 986
Present Value of Fund Obligation at the end of the Year	7 375 410	5 828 258
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	7 375 410	5 828 258
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	7 375 410	5 828 258
Unfunded Accrued Liability	7 375 410	5 828 258
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	7 375 410	5 828 258
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	799 362	663 240
Interest cost	431 690	406 438
Actuarial losses / (gains)	882 690	642 986
Total Post-retirement Benefit included in Employee Related Costs (Note 31)	2 113 742	1 712 664

The history of experienced adjustments is as follows:

	2012 R	2011 R	2010 R	2009 R	2008 R
Present Value of Defined Benefit Obligation	7 375 410	5 828 258	4 872 976	4 421 248	-
Deficit	7 375 410	5 828 258	4 872 976	4 421 248	-

Experienced adjustments on Plan Liabilities	379 886	204 219	-	-	-
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In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

	2012 R	2011 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	85 490	67 249
Effect on the defined benefit obligation	509 003	398 020
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(76 471)	(60 429)
Effect on the defined benefit obligation	(459 957)	(360 764)

The municipality expects to make a contribution of R1 429 million (2011: R1 231 million) to the defined benefit plans during the next financial year.

22.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R3 660 175 (2011: R2 633 229) to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
23 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Capital Replacement Reserve (CRR)	36 315 695	29 623 291
Capitalisation Reserve	82 591 527	89 687 814
Donations and Public Contributions Reserve	7 795 082	7 421 916
Government Grants Reserve	692 465 468	578 213 229
Accumulated Surplus / (Deficit) due to the results of Operations	440 870 669	347 164 475
Total Accumulated Surplus	1 260 038 440	1 052 110 725

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 41.1 "Change in Accounting Policy" for details of the restatements.

- Recognition of VAT Receivable - Note 42.1
- Recognition of Property, Plant and Equipment - Note 42.2
- Recognition of Creditors for Accruals - Note 42.3
- Recognition of Creditors for Retention Moneys - Note 42.3

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

24 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2012 R000's	July 2011 R000's		
Commercial	2 075 044	2 075 044	17 979 967	16 179 054
Industrial	1 524 167	1 524 167	3 878 072	3 237 150
Municipal	51 256	51 256	-	-
Residential	5 919 853	5 919 853	14 249 399	13 655 336
State	965 717	965 717	1 143 258	783 380
Consent Use	25 848	25 848	214 130	234 810
Undeveloped	178 328	178 328	1 330 482	1 178 926
Total Property Rates	10 740 213	10 740 213	38 795 308	35 268 655

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,8933 c/R (2010/11: 0,8427 c/R)

Business Properties: 1,7865 c/R (2010/11: 1,6854 c/R)

Agricultural Properties: 0,2233 c/R (2010/11: 0,21074 c/R)

A rebate of 40,00% (2010/11: 40,00%) was allowed on residential properties whilst a discount of 30,00% (2010/11: 30,00%) was granted on properties owned by the State.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

25 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	210 303 151	172 433 712
Other Subsidies	6 511 633	6 363 946
Operational Grants	216 814 784	178 797 658
Conditional Grants	169 003 268	189 262 930
National: Equitable Share	15 625 556	20 359 481
National: FMG	1 250 000	1 000 000
National: MIG	71 648 223	97 601 144
National: MSIG	790 000	750 000
National: DWAE	38 768 680	48 562 741
National: Minerals and Energy	4 877 914	223 133
National: National Treasury	34 309 551	17 749 623
Provincial: Office of The Premier	1 411 184	37 815
Other Government: National Lottery Fund	322 159	2 978 993
Total Government Grants and Subsidies	385 818 052	368 060 588

Government Grants and Subsidies have been restated to correctly classify revenue to be included in the category of Government Grants and Subsidies for Library Books donated. Refer to Note 42.2 on "Correction of Error" for details of the restatement.

Operational Grants:

25.1 National: Equitable Share	210 303 151	172 433 712
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2011: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.

Conditional Grants:

25.2 National: Equitable Share

Balance unspent at beginning of year	3 982 831	2 812 312
Current year receipts	16 756 666	21 530 000
Conditions met - transferred to Revenue: Operating Expenses	(1 917 468)	-
Conditions met - transferred to Revenue: Capital Expenses	(13 708 088)	(20 359 481)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	5 113 941	3 982 831

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
25.3 National: EPWP Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 038 000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>1 038 000</u></u>	<u><u>-</u></u>

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects. No funds have been withheld.

25.4 National: FMG Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(1 250 000)	(708 601)
Conditions met - transferred to Revenue: Capital Expenses	-	(291 399)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>-</u></u>	<u><u>-</u></u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

25.5 National: MIG Funds

Balance unspent at beginning of year	16 880 651	20 341 795
Current year receipts	113 222 000	94 140 000
Conditions met - transferred to Revenue: Operating Expenses	(3 563 067)	(8 299 724)
Conditions met - transferred to Revenue: Capital Expenses	(68 085 156)	(89 301 421)
Other Adjustments/Refunds	(6 523 000)	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>51 931 428</u></u>	<u><u>16 880 651</u></u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. An amount of R6 523 000 (2011: R0) has been withheld.

25.6 National: MSIG Funds

Balance unspent at beginning of year	-	-
Current year receipts	790 000	750 000
Conditions met - transferred to Revenue: Operating Expenses	(790 000)	(750 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>-</u></u>	<u><u>-</u></u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

25.7 National: Department Water Affairs and Environment (DWAE)

Balance unspent at beginning of year	36 449 736	8 326 672
Current year receipts	91 247 811	76 685 805
Conditions met - transferred to Revenue: Operating Expenses	(11 737 763)	(12 533 000)
Conditions met - transferred to Revenue: Capital Expenses	(27 030 917)	(36 029 741)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>88 928 868</u></u>	<u><u>36 449 736</u></u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAE to the municipality, the refurbishment of water infrastructure, the Olifants River Water Resource project and the payment of salaries of staff transferred from DWAE. No funds have been withheld.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
25.8 National: Department Minerals and Energy (DME)		
Balance unspent at beginning of year	52 216	275 349
Current year receipts	6 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	(4 877 914)	(223 133)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	(275 349)	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>898 953</u></u>	<u><u>52 216</u></u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. An amount of R275 349 (2011: R0) has been withheld.

25.9 National: National Treasury (Neighbourhood Development)

Balance unspent at beginning of year	25 328 928	-
Current year receipts	28 000 000	43 078 551
Conditions met - transferred to Revenue: Operating Expenses	(0)	-
Conditions met - transferred to Revenue: Capital Expenses	(34 309 551)	(17 749 623)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>19 019 377</u></u>	<u><u>25 328 928</u></u>

Expenses were incurred to promote rural development. No funds have been withheld.

25.10 Provincial: Office of the Premier

Balance unspent at beginning of year	1 411 184	1 448 999
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1)	-
Conditions met - transferred to Revenue: Capital Expenses	(1 411 184)	(37 815)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>(0)</u></u>	<u><u>1 411 184</u></u>

This grant was allocated to assist the municipality to set up a Call Centre. No funds have been withheld.

25.11 Local Government: Waterberg District Municipality

Balance unspent at beginning of year	-	-
Current year receipts	2 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>2 000 000</u></u>	<u><u>-</u></u>

This grant was allocated to the municipality as a contribution towards electricity distribution in the rural areas. No funds have been withheld.

25.12 Other Government: National Lottery Fund

Balance unspent at beginning of year	633 424	3 612 417
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	(322 159)	(2 249 766)
Conditions met - transferred to Revenue: Capital Expenses	-	(729 227)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u><u>311 265</u></u>	<u><u>633 424</u></u>

The municipality receives grants from other spheres of government for urban greening in the municipal area. The grant was utilised for this purpose. No funds have been withheld.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
R

25.13 Other Government: National Roads Agency

Balance unspent at beginning of year	2 641 893	2 641 893
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>2 641 893</u>	<u>2 641 893</u>

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

25.14 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2012), government grant funding is expected to increase over the forthcoming three financial years.

26 PUBLIC CONTRIBUTIONS AND DONATIONS

Conditional Contributions:	10 917 199	-
Unconditional Contributions	1 900 000	-
Other Donations	1 954 914	8 401 556
Total Public Contributions and Donations	<u>14 772 113</u>	<u>8 401 556</u>

Reconciliation of Conditional Public Contributions and Donations:

26.1 Contributions from PPL Mine

Balance unspent at beginning of year	-	-
Current year receipts	12 000 000	-
Conditions met - transferred to Revenue: Operating Expenses	(10 917 199)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 18)	<u>1 082 801</u>	<u>-</u>

The municipality received funds from PPL Mine for the construction of VIP Toilets. The donation was utilised for this purpose. No funds have been withheld.

27 SERVICE CHARGES

Sale of Electricity	151 320 382	130 714 500
Sale of Water	43 379 296	29 683 705
Refuse Removal	10 149 617	9 620 950
Sewerage and Sanitation Charges	11 463 897	10 360 894
Total Service Charges	<u>216 313 192</u>	<u>180 380 049</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

28 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	1 029 828	720 039
Total Rental of Facilities and Equipment	<u>1 029 828</u>	<u>720 039</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
29 INTEREST EARNED		
External Investments:		
Bank Account	367 141	364 571
Investments	24 492 119	15 560 453
	24 859 260	15 925 024
Outstanding Debtors:		
Long-term Debtors	192 123	105 851
Outstanding Billing Debtors	22 882 066	17 123 485
	23 074 189	17 229 336
Total Interest Earned	47 933 449	33 154 359
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	1 686 702	1 535 430
Held-to-Maturity Investments	23 172 558	14 389 593
Loans and Receivables	23 074 189	17 229 336
	47 933 449	33 154 359
30 OTHER REVENUE		
Building Plan Fees	467 328	226 491
Cemetery Fees	159 273	200 092
Insurance Claims	2 562 386	1 755 441
Lease Advertising Signs	5 001	44 060
Legal Cost Recovered	81 617	76 064
Non-Attendance of Meetings	87 830	97 795
Prints	21 275	20 145
Retentions Forfeited	585 514	808 138
Telephone Cost Recovered	119 199	216 360
Tender Documents	569 577	391 423
Town Planning Fees	160 505	29 476
Unclaimed Moneys	3 659 658	1 734 988
Sundry Income	704 979	508 279
Total Other Revenue	9 184 141	6 108 752

Other Revenue have been restated to correctly classify revenue previously erroneously recognised for Retentions Forfeited. Refer to Note 42.3 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 24 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
31 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	90 604 536	83 597 572
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	24 380 414	21 389 525
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	14 487 169	13 899 652
Housing Benefits and Allowances	266 724	848 920
Overtime Payments	17 066 430	15 141 362
Defined Benefit Plan Expense:	8 381 599	10 579 553
Current Service Cost	2 753 278	2 202 885
Interest Cost	3 788 143	3 264 662
Net Actuarial (gains)/losses recognised	1 840 178	5 112 006
Total Employee Related Costs	155 186 871	145 456 584
No advances were made to employees. Loans to employees are set out in Note 14.		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	882 570	824 232
Car and Other Allowances	207 870	209 010
Company Contributions to UIF, Medical and Pension Funds	247 087	233 194
Total	1 337 527	1 266 436
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	778 407	728 082
Car and Other Allowances	184 867	182 083
Company Contributions to UIF, Medical and Pension Funds	172 796	161 725
Total	1 136 070	1 071 889
<i>Remuneration of the Manager: Community Services</i>		
Annual Remuneration	665 344	618 474
Car and Other Allowances	203 531	213 616
Company Contributions to UIF, Medical and Pension Funds	199 829	186 901
Total	1 068 704	1 018 991
<i>Remuneration of the Manager: Corporate Services</i>		
Annual Remuneration	480 532	594 624
Car and Other Allowances	121 243	211 333
Company Contributions to UIF, Medical and Pension Funds	142 857	178 279
Total	744 633	984 236
The manager was suspended for the period December 2010 until June 2011 with full remuneration. The manager was finally dismissed on 16 March 2012. An Acting Allowance was paid for the respective periods.		
<i>Remuneration of the Manager: Developmental Services</i>		
Annual Remuneration	650 081	659 556
Car and Other Allowances	324 839	227 746
Company Contributions to UIF, Medical and Pension Funds	175 226	178 502
Total	1 150 146	1 065 804
The managers' contract expired on 31 May 2012. An Acting Allowance was paid for the period 01 June 2012 to 30 June 2012.		
<i>Remuneration of the Manager: Technical Services</i>		
Annual Remuneration	669 256	623 520
Car and Other Allowances	198 857	195 046
Company Contributions to UIF, Medical and Pension Funds	176 777	165 373
Total	1 044 890	983 938

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Remuneration of the Manager: Traffic and Emergency Services		
Annual Remuneration	595 430	603 921
Car and Other Allowances	270 968	196 600
Company Contributions to UIF, Medical and Pension Funds	175 403	178 383
Total	1 041 801	978 904

The managers' contract expired on 31 May 2012. An Acting Allowance was paid for the period 01 June 2012 to 30 June 2012.

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	151 457	36 266
Chief Financial Officer	111 405	53 878
Manager: Community Services	172 628	85 498
Manager: Corporate Services	-	114 168
Manager: Developmental Services	-	114 921
Manager: Technical Services	102 908	63 599
Manager: Traffic and Emergency Services	-	72 664
Total	538 398	540 994

32 REMUNERATION OF COUNCILLORS

Mayor	378 957	354 836
Speaker	349 524	253 965
Executive Committee Members	747 684	1 270 475
Councillors	8 132 967	6 743 165
Company Contributions to UIF, Medical and Pension Funds	1 213 192	1 097 841
Other Allowances (Cellular Phones, Housing, Transport, etc)	4 285 389	3 525 749
Total Councillors' Remuneration	15 107 713	13 246 031

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker, Chief Whip and four members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

Security Services were rendered at the houses of the Mayor, Speaker and Chief Whip at the expense of the municipality.

33 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	45 682 280	41 723 377
Amortisation: Intangible Assets	517 231	565 624
Depreciation: Investment Property	91 633	91 633
Total Depreciation and Amortisation	46 291 144	42 380 634

Depreciation and Amortisation have been restated to correctly disclose the expense on Library Books not previously recognised in terms of GRAP 17. Refer to Note 42.2 on "Correction of Error" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
34 IMPAIRMENT LOSSES		
34.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	-	739 910
Property, Plant and Equipment	-	739 910
Intangible Assets	-	-
Investment Property	-	-
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-
	<u>-</u>	<u>739 910</u>
34.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	43 846 938	36 654 462
Long-term Receivables	-	-
Receivables from Exchange Transactions	40 906 932	34 185 396
Receivables from Non-exchange Transactions	2 940 005	2 469 067
Impairment Losses Reversed:	(308 836)	(106 141)
Long-term Receivables	(308 836)	(106 141)
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	<u>43 538 102</u>	<u>36 548 321</u>
Total Impairment Losses	<u>43 538 102</u>	<u>37 288 231</u>
35 FINANCE COSTS		
Creditors Overdue	16 293	-
Total Interest Paid on External Borrowings	<u>16 293</u>	<u>-</u>
36 BULK PURCHASES		
Electricity	105 612 315	84 735 898
Water	17 334 467	16 553 730
Total Bulk Purchases	<u>122 946 781</u>	<u>101 289 628</u>

Bulk Purchases have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed. Refer to Note 42.1 on "Correction of Error" for details of the restatement.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Lepelle Northern Water and "Uitloop Water Beleggings".

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
37 CONTRACTED SERVICES		
Internal Audit	94 252	707 662
Professional Fees	2 934 811	6 359 907
Security Services	7 864 360	4 138 951
Valuation Services	68 323	76 013
Water Purification	65 565	-
Other Contracted Services	2 265 205	1 248 274
Total Contracted Services	13 292 516	12 530 808

Contracted Services have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed. Refer to Note 42.1 on "Correction of Error" for details of the restatement.

38 GRANTS AND SUBSIDIES PAID

Community Projects	94 772	1 038 269
Free Basic Services	19 242 450	12 129 723
Mayoral Discretionary Expenditure	1 167 315	2 795 662
Project Expenditure	17 427 322	5 981 088
Sport Events	499 787	305 581
Women's day	116 630	66 000
Other Grants and Subsidies Paid	79 150	-
Total Grants and Subsidies	38 627 426	22 316 323

Grants and Subsidies Paid have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed. Refer to Note 42.1 on "Correction of Error" for details of the restatement.

Community Projects are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

The **Mayor** makes grants available on own discretion.

Project Expenditure is in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

Sport Events are in respect accommodation and travelling expenses of participants for sporting events attended outside the municipal area of jurisdiction.

The **Women's Day** is paid annually in the municipality's aim to further local economic development of all women in the communities.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
39 GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	2 414 939	2 638 724
Audit Fees	1 847 856	1 686 248
Bank Charges	836 454	633 627
Branding of the Municipality	164 334	147 645
Bursaries	269 505	197 068
Chemicals and Poison	213 470	168 173
Claims against the Municipality	-	244 607
Cleaning Material	140 958	150 453
Communication and Public Participation	122 301	344 934
Connection Fees	844 284	931 512
Connections and Disconnections	102 321	174 551
Disaster Expenditure	173 526	91 787
Electricity	3 066 295	2 885 233
Entertainment	163 708	315 034
Expenditure incurred from Finance Management Grant	46 824	213 100
GLPS Power Factor Correction	-	118 627
Hiring of Equipment	362 425	419 047
IDP Review	591 087	731 939
Insurance	2 851 126	3 438 019
Lease Charges	170 570	164 393
Legal Costs	1 996 072	4 730 459
Levies: SALGA	1 190 436	767 323
Loss Control	68 647	272 506
Materials and Stocks	263 141	204 344
Mayoral Special Programmes	330 953	202 963
Medical Examinations	290 933	386 026
Postage and Telegrams	297 352	280 674
Pound Fees	95 088	90 906
Refuse Removal	202 445	191 788
Sanitation and Sewerage	89 827	72 127
Stock Shortages/Surpluses	(68 573)	159 437
Telephone Cost	1 148 193	1 101 643
Tourism Strategy	-	82 500
Training Costs	698 544	391 722
Transport Costs	12 692 056	9 717 516
Travelling and Subsistence	1 869 652	1 400 218
Uniforms and Protective Clothing	747 406	610 977
Urban Greening Programme	322 159	1 249 266
Ward Committee Management	1 154 828	1 634 299
Waste Management	168 738	207 147
Water	417 743	465 905
Water Levy	297 028	154 204
Website Hosting	59 562	107 086
Other General Expenses	2 651 157	1 056 366
Expenditure Recharged	(13 399 649)	(24 849 241)
Total General Expenses	27 965 722	16 382 883

General Expenses have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed. Refer to Note 42.1 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly classify expenditure for Library Books capitalised. Refer to Note 42.1 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
39.1 Material Losses	18 767 264	20 093 654
Lightning Damages	121 999	124 771
Theft	21 223	20 000
Other Losses	11 097	5 000
Distribution Losses:		
Electricity Losses	11 398 552	8 946 310
Water Losses	7 214 393	10 997 574

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 48.9).

No other extra-ordinary expenses were incurred.

40 DISCONTINUED OPERATIONS

No operations have been discontinued.

41 CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2011/12 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2012:

- GRAP 103 Heritage Assets

41.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Accumulated Surplus
Balances published as at 30 June 2010	853 152 901
Correction of Error:-	
Reclassify VAT Receivable and Expenditure - Note 42.1	1 300 292
Reclassify Property, Plant & Equipment and Depreciation Charges - Note 42.2	2 449 660
Reclassify Creditors for Prior Year Services - Note 42.3	(546 973)
	<u>3 202 979</u>
Restated Balances as at 30 June 2010	856 355 880
Transactions incurred for the Year 2010/11	196 169 215
Correction of Error:-	
Reclassify VAT Receivable and Expenditure - Note 42.1	404 305
Reclassify Property, Plant & Equipment and Depreciation Charges - Note 42.2	(708 367)
Reclassify Retention Money - Note 42.3	(110 307)
	<u>(414 370)</u>
Restated Balances as at 30 June 2011	1 052 110 725

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

GRAP 103 - Heritage Assets

The municipality elected to prepare its Accounting Policies for *Heritage Assets* in terms of GRAP 103 for the financial year 2011/12. The full net assets have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

41.2 Reclassification of Property, Plant & Equipment and Heritage Assets

The prior year figures of Property, Plant & Equipment and Heritage Assets have been restated to correctly disclose the assets held by the municipality in terms of GRAP 103.

The effect of the Change in Accounting Policy is as follows:

	Property, Plant & Equipment	Heritage Assets
Balances published as at 30 June 2010	745 510 874	-
Transfer Heritage Assets	(5 752 544)	5 752 544
Restated Balances as at 30 June 2010	739 758 330	5 752 544
	2012 R	2011 R

Effect of the Change in Accounting Policy:

The above-mentioned changes in Accounting Policies had no effect on the Profit and Loss of the

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2011 and the Accumulated Surplus of prior years was not affected either.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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R

42 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

42.1 Reclassification of VAT Receivable, Bulk Purchases, Collection Costs, Contracted Services, Grants & Subsidies Paid, General Expenses, Repairs & Maintenance and Accumulated Surplus

The opening balances of VAT Receivable and Accumulated Surplus have been restated to correctly disclose Input VAT not claimed during the previous financial years.

Furthermore, the prior year figures of VAT Receivable, Bulk Purchases, Collection Costs, Contracted Services, Grants & Subsidies Paid, General Expenses and Repairs & Maintenance have been restated to correctly disclose Input VAT not claimed in the previous financial year.

The effect of the Correction of Error is as follows:

	VAT Receivable	Bulk Purchases	Collection Costs	Contracted Services
Balances published as at 30 June 2010	8 391 394			
Adjustment for Input VAT not claimed	1 300 292			
Restated Balances as at 30 June 2010	9 691 686			
Amount per AFS previously published for 2010/11		101 309 966	90 943	12 546 304
Transactions incurred for the Year 2010/11	2 327 546			
Adjustment for Input VAT on Bulk Purchases	20 339	(20 339)	-	-
Adjustment for Input VAT on Collection Costs	441	-	(441)	-
Adjustment for Input VAT on Contracted Services	15 496	-	-	(15 496)
Restated Amount currently disclosed for 2010/11		101 289 628	90 502	12 530 808
		Grants & Subsidies Paid	General Expenses	Repairs & Maintenance
Amount per AFS previously published for 2010/11		22 317 127	16 673 272	61 847 289
Adjustment for Input VAT on Grants & Subsidies Paid	803	(803)	-	-
Adjustment for Input VAT on General Expenses	283 614	-	(283 614)	-
Adjustment for Input VAT on Repairs & Maintenance	83 612	-	-	(83 612)
Capitalisation of Library Books purchased from own funds	-	-	(6 775)	(0)
Restated Amount currently disclosed for 2010/11	12 423 537	22 316 323	16 382 883	61 763 678

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
R

42.2 Reclassification of Property, Plant & Equipment, Depreciation Charges, Government Grants & Subsidies Received and Accumulated Surplus

The opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to recognise Library Books in terms of FAQ for Entities on GRAP of 16 May 2011.

Furthermore, the transactions for Property, Plant & Equipment and Depreciation Charges have been restated to correctly disclose the Depreciation Charge for the financial year 2010/11 not previously recognised for Library Books.

The effect of the Correction of Error is as follows:

	Property, Plant and Equipment	Depreciation Charges	Government Grants & Subsidies
	(Ex Note 41.2)		
Balances published as at 30 June 2010	739 758 330		
Recognition of Library Books at deemed cost	4 068 615		
Recognition of Accumulated Depreciation on Library Books	(1 618 955)		
Restated Balances as at 30 June 2010	742 207 990		
Amount per AFS previously published for 2010/11		41 557 251	(367 952 348)
Transactions incurred for the Year 2010/11	158 795 942		
Recognition of Library Books acquired at deemed cost for the Year 2010/11	115 015	-	(108 240)
Recognition of Depreciation on Library Books for the Year 2010/11	(823 382)	823 382	-
Restated Balances as at 30 June 2011	900 295 565	42 380 634	(368 060 588)

42.3 Reclassification of Payables and Other Revenue

The opening balances of Payables and Accumulated Surplus have been restated to correctly disclose Creditors not previously recognised and paid in the current financial year.

The prior year figures of Payables and Other Revenue have been restated to correctly record Retention Money held by the municipality, written off as forfeited in error in 2010/11.

The effect of the Correction of Error is as follows:

	Payables	Other Revenue
Balances published as at 30 June 2010	60 561 192	
Adjustment for Creditors prior to June 2010	546 973	
Restated Balances as at 30 June 2010	61 108 165	
Amount per AFS previously published for 2010/11		6 219 059
Transactions incurred for the Year 2010/11	16 401 053	
Reclassification of Retention Money written off in 2010/11	110 307	(110 307)
Restated Amount currently disclosed for 2010/11	77 619 525	6 108 752

43 CHANGE IN ACCOUNTING ESTIMATES

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of Grap 3.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
44 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	207 927 714	195 754 845
Adjustment for:		
Depreciation and Amortisation	46 291 144	42 380 634
Impairment Losses on Property, Plant and Equipment	-	739 910
Losses / (Gains) on Disposal of Property, Plant and Equipment	(2 626 331)	(28 223)
Profit on Sale of Land	(4 532 476)	(6 747 229)
Property, Plant and Equipment transferred to Assets Held-for-Sale	-	311 250
Other Movement on Property, Plant and Equipment	(60 144)	(8 214 999)
Contribution to Retirement Benefit Liabilities	6 267 857	8 866 889
Expenditure incurred from Retirement Benefit Liabilities	(1 270 117)	(1 142 604)
Contribution to Provisions - Current	(577 422)	1 670 451
Contribution to Provisions - Non-current	3 140 688	2 506 354
Expenditure incurred from Provisions - Current	(566 590)	(757 382)
Contribution to Impairment Provision	43 538 102	36 548 321
Bad Debts Written-off	-	(42 860)
Operating surplus before working capital changes	297 532 425	271 845 357
Decrease/(Increase) in Inventories	(707 696)	(2 822 362)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	311 250	(311 250)
Decrease/(Increase) in Receivables from Exchange Transactions	(46 693 190)	(36 561 025)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(7 074 229)	(4 643 187)
Decrease/(Increase) in VAT Receivable	4 928 200	(2 731 851)
Decrease/(Increase) in Operating Lease Assets	(54 362)	23 103
Decrease/(Increase) in Current Portion of Long-term Receivables	(56 588)	(1 149 298)
Increase/(Decrease) in Consumer Deposits	(45 476)	6 412 266
Increase/(Decrease) in Payables	22 613 744	16 547 836
Increase/(Decrease) in Conditional Grants and Receipts	85 585 662	47 921 426
Cash generated by / (utilised in) Operations	356 339 737	294 531 015
45 NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2011/12 financial year.		
46 FINANCING FACILITIES		
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	694 555	424 450
- Amount unused	305 445	575 550
	1 000 000	1 000 000

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

47 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

47.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	14 787 553	11 570 504
Unauthorised Expenditure current year	-	3 217 049
Approved by Council or condoned	(14 787 553)	-
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	<u>(0)</u>	<u>14 787 553</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Executive and Council - R0 (2011: R1 340 819)	
- Environmental Protection - R0 (2011: R5 492)	
- Waste Management - R0 (2011: R1 858 670)	
- Other - R0 (2011: R12 068)	

47.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1 762 985	-
Fruitless and Wasteful Expenditure current year	16 293	1 762 985
Condoned or written off by Council	(1 762 985)	-
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>16 293</u>	<u>1 762 985</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Unsatisfactory work (Machikiri Stormwater) - R0 (2011: R49 881)</i>	<i>None</i>
<i>Legal Cost (MR Thobojane) - R0 (2011: R1 449 165)</i>	<i>None</i>
<i>Legal Cost (Debtor Recovery) - R0 (2011: R263 939)</i>	<i>None</i>
<i>Interest on late payment - Various Creditors - R16 293 (2011: R0)</i>	<i>None</i>

47.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	62 645 723	29 010 199
Irregular Expenditure current year	3 277 145	33 635 524
Condoned or written off by Council	(62 645 723)	-
To be recovered – contingent asset (see Note 54)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	<u>3 277 145</u>	<u>62 645 723</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Irregular awards made to Contractors and Consultants - R0 (2011: R18 494 162)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Irregular awards made for Indigenous Trees - R0 (2011: R9 324 637)</i>	<i>Disciplinary process initiated against responsible person.</i>
<i>Irregular award made to Maningo Security CC - R435 982 (2011: R0)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Irregular award made to Maningo Security CC - R744 633 (2011: R0)</i>	<i>Under Investigation. To be submitted to Council for condonement.</i>
<i>Expenditure contrary to SCM Processes as described in Note 48.8 - R2 096 530 (2011: R5 816 725)</i>	<i>A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".</i>

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R	
48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
48.1 Contributions to organised local government - SALGA			
Opening Balance	-	-	
Council Subscriptions	1 190 436	767 323	
Amount Paid - current year	(1 190 436)	(767 323)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
48.2 Audit Fees			
Opening Balance	-	-	
Current year Audit Fee	1 847 856	1 686 248	
Amount Paid - current year	(1 847 856)	(1 686 248)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
48.3 VAT			
The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.			
48.4 PAYE, Skills Development Levy and UIF			
Opening Balance	-	-	
Current year Payroll Deductions	22 528 802	19 635 838	
Amount Paid - current year	(22 528 802)	(19 635 838)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
48.5 Pension and Medical Aid Deductions			
Opening Balance	-	-	
Current year Payroll Deductions and Council Contributions	29 594 984	29 499 065	
Amount Paid - current year	(29 594 984)	(29 499 065)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	-	-	
48.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2012	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Mutshinya MF	1 847	1 415	431
Councillor Sekoala MS	515	411	103
Total Councillor Arrear Consumer Accounts	2 361	1 827	534
30 June 2011	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Mutshinya MF	4 345	825	3 520
Councillor Senosha SCG	7 963	1 391	6 572
Total Councillor Arrear Consumer Accounts	12 308	2 216	10 092

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
30 June 2012	Highest amount outstanding	Ageing
Councillor Mutshinya MF	4 814	> 90 Days
Councillor Sekoala MS	103	> 90 Days
Councillor Senosha SCG	7 386	> 90 Days
30 June 2011	Highest amount outstanding	Ageing
Councillor Montane NS	598	> 90 Days
Councillor Mutshinya MF	3 520	> 90 Days
Councillor Selomo ME	2 634	> 90 Days
Councillor Senosha SCG	6 572	> 90 Days
Councillor Tsebe PH	220	> 90 Days

48.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

48.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Office of the Mayor	Year 2011/12	Various occasions (22)	Various reasons like preferred supplier & venue, urgency, etc	1 510 048.21
22 Occasions during the financial year procuring various services amounting to R1 520 048,21				
Community Services	Year 2011/12	Various occasions (5)	Preferred supplier, sole supplier and urgency	116 766.45
5 Occasions during the financial year procuring chemicals, protective clothing, canopies for vehicles and tree rings amounting to R127 938,47				
Corporate Support Services	Year 2011/12	Various occasions (6)	Various reasons like emergency, preferred supplier, etc	52 533.34
6 Occasions during the financial year procuring various services amounting to R116 716,54				
Electrical Services	Year 2011/12	Various occasions (6)	Sole supplier and urgency	225 037.80
6 Occasions during the financial year procuring cable, relays, diamond cutter, robot equipment and catering services amounting to R877 699,00				
Financial Services	Year 2011/12	Various occasions (4)	Sole agent, sole supplier and urgency	113 065.20
4 Occasions during the financial year procuring printer rolls for Radex printer and electricity & water accounts amounting to R238 852,88				
Supply Chain Management Services	Year 2011/12	Various occasions (6)	Limited bidding and sole supplier	70 427.04
6 Occasions during the financial year procuring various services amounting to R236 727,04				
Traffic and Emergency Services	Year 2011/12	Various occasions (10)	Various reasons like sole supplier, limited bidding, strip & quote, etc	8 652.16
10 Occasions during the financial year procuring various services amounting to R113 450,88				

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
R

48.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2012	Unaccounted Electricity Losses	<u>18 092 939</u>	<u>0.6300</u>	<u>11 398 552</u>
30 June 2011	Unaccounted Electricity Losses	<u>20 009 639</u>	<u>0.4471</u>	<u>8 946 310</u>

Electricity Losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

2012
R **2011**
R

Volumes in kWh/year:

System Input Volume	195 968 938	201 681 860
Billed Consumption	177 875 999	181 672 221
Distribution Loss	18 092 939	20 009 639
Percentage Distribution Loss	9.23%	9.92%

Water:

		Lost Units	Tariff	Value
30 June 2012	Unaccounted Water Losses	<u>2 200 181</u>	<u>3.2790</u>	<u>7 214 393</u>
30 June 2011	Unaccounted Water Losses	<u>4 213 630</u>	<u>2.6100</u>	<u>10 997 574</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

2012
R **2011**
R

Volumes in Kl/year:

System Input Volume	7 845 594	9 487 813
Billed Consumption	5 645 413	5 274 183
Distribution Loss	2 200 181	4 213 630
Percentage Distribution Loss	28.04%	44.41%

49 COMMITMENTS FOR EXPENDITURE

49.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Community

Other

78 778 265 **79 050 656**

60 033 428 65 695 925

18 744 837 12 189 942

- 1 164 789

Total Capital Commitments

78 778 265 **79 050 656**

This expenditure will be financed from:

Capital Replacement Reserve

Government Grants

1 467 454 57 599

77 310 811 78 993 057

78 778 265 **79 050 656**

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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R **2011**
R

49.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 19.

49.3 Other Commitments

The municipality has entered into a contract with Ducharme Consulting Services during 2010/11 for the compilation of Annual Financial Statements for 2 years, which will give rise to a total charge of R1 439 160.

The municipality has entered into a contract on 01 February 2011 with Baepereki Consultants for administering the Project Management Unit for 3 years, which will give rise to a charge of 2,3% (2011: 2,7%) of actual project expenditure payable on a monthly basis. The contract terminates on 30 June 2014.

50 FINANCIAL INSTRUMENTS

50.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Long-term Receivables			
Debtors Capitalised Loans	Amortised cost	2 289 574	2 837 085
Removal Cost Loans	Amortised cost	(0)	3 514
Receivables from Exchange Transactions			
Electricity	Amortised cost	11 973 854	9 571 358
Refuse	Amortised cost	1 866 887	1 676 542
Sewerage	Amortised cost	2 879 793	2 617 304
Water	Amortised cost	3 436 348	3 598 153
Other Receivables	Amortised cost	11 239 266	8 146 534
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	14 127 855	12 410 920
Sundry Deposits	Amortised cost	664 828	463 060
Sundry Debtors	Amortised cost	4 090 048	2 262 100
Accruals	Amortised cost	336 733	370 826
Recoverable Works	Amortised cost	11 385 463	10 963 798
Cash and Cash Equivalents			
Call Deposits	Fair value	14 108 504	19 788 944
Notice Deposits	Amortised cost	485 000 000	243 000 000
Bank Balances	Fair value	2 617 573	31 224 278
Cash Floats and Advances	Fair value	24 406	21 405
Current Portion of Long-term Receivables			
Debtors Capitalised Loans	Amortised cost	4 881 611	4 871 120
Removal Cost Loans	Amortised cost	-	4 685
Sale of Stand Loans	Amortised cost	1 455 835	1 401 289
Study Cost Loans	Amortised cost	50 015	53 777

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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R **2011**
R

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Long-term Receivables	Debtors Capitalised Loans	2 289 574	2 837 085
Long-term Receivables	Removal Cost Loans	(0)	3 514
Receivables from Exchange Transactions	Electricity	11 973 854	9 571 358
Receivables from Exchange Transactions	Refuse	1 866 887	1 676 542
Receivables from Exchange Transactions	Sewerage	2 879 793	2 617 304
Receivables from Exchange Transactions	Water	3 436 348	3 598 153
Receivables from Exchange Transactions	Other Debtors	11 239 266	8 146 534
Receivables from Non-exchange Transactions	Assessment Rates Debtors	14 127 855	12 410 920
Receivables from Non-exchange Transactions	Sundry Deposits	664 828	463 060
Receivables from Non-exchange Transactions	Sundry Debtors	4 090 048	2 262 100
Receivables from Non-exchange Transactions	Accruals	336 733	370 826
Receivables from Non-exchange Transactions	Recoverable Works	11 385 463	10 963 798
Current Portion of Long-term Receivables	Debtors Capitalised Loans	4 881 611	4 871 120
Current Portion of Long-term Receivables	Removal Cost Loans	-	4 685
Current Portion of Long-term Receivables	Sale of Stand Loans	1 455 835	1 401 289
Current Portion of Long-term Receivables	Study Cost Loans	50 015	53 777
Cash and Cash Equivalents	Notice Deposits	485 000 000	243 000 000
		<u>555 678 110</u>	<u>304 252 065</u>

Financial Assets at Fair Value:

Cash and Cash Equivalents	Call Deposits	14 108 504	19 788 944
Cash and Cash Equivalents	Bank Balances	2 617 573	31 224 278
Cash and Cash Equivalents	Cash Floats and Advances	24 406	21 405
		<u>16 750 484</u>	<u>51 034 627</u>

Total Financial Assets

572 428 594 **355 286 692**

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Payables			
Trade Creditors	Amortised cost	51 503 692	25 922 217
Payments received in Advance	Fair value	9 717 616	11 940 743
Retentions	Amortised cost	18 786 164	21 219 145
Staff Bonuses	Amortised cost	3 706 007	3 310 640
Staff Leave Accrued	Amortised cost	15 843 271	13 597 227
Sundry Deposits	Amortised cost	376 517	317 833
Other Creditors	Amortised cost	300 000	1 311 719

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Payables	Trade Creditors	51 503 692	25 922 217
Payables	Retentions	18 786 164	21 219 145
Payables	Staff Bonuses	3 706 007	3 310 640
Payables	Staff Leave Accrued	15 843 271	13 597 227
Payables	Sundry Deposits	376 517	317 833
Payables	Other Creditors	300 000	1 311 719
		<u>90 515 653</u>	<u>65 678 781</u>
Financial Liabilities at Fair Value:			
Payables	Payments received in Advance	9 717 616	11 940 743
		<u>9 717 616</u>	<u>11 940 743</u>
Total Financial Liabilities		<u>100 233 269</u>	<u>77 619 525</u>

50.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2012, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
R

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2012

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	14 108 504	-	14 108 504
Bank Balances and Cash	-	2 641 979	-	2 641 979
Total Financial Assets	<u>-</u>	<u>16 750 484</u>	<u>-</u>	<u>16 750 484</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Payments Received in Advance	-	9 717 616	-	9 717 616
Total Financial Liabilities	<u>-</u>	<u>9 717 616</u>	<u>-</u>	<u>9 717 616</u>
Total Financial Instruments	<u>-</u>	<u>7 032 868</u>	<u>-</u>	<u>7 032 868</u>

30 June 2011

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	19 788 944	-	19 788 944
Bank Balances and Cash	-	31 245 683	-	31 245 683
Total Financial Assets	<u>-</u>	<u>51 034 627</u>	<u>-</u>	<u>51 034 627</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Payments Received in Advance	-	11 940 743	-	11 940 743
Total Financial Liabilities	<u>-</u>	<u>11 940 743</u>	<u>-</u>	<u>11 940 743</u>
Total Financial Instruments	<u>-</u>	<u>39 093 883</u>	<u>-</u>	<u>39 093 883</u>

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

50.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

Gearing Ratio

2012	2011
R	R

The gearing ratio at the year-end was as follows:

Debt	-	-
Cash and Cash Equivalents	(2 641 979)	(31 245 683)
Net Debt	(2 641 979)	(31 245 683)
Equity	1 260 038 440	1 052 110 725
Net debt to equity ratio	-0.21%	-2.97%

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

50.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

50.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 50.8 and 50.9 to the Annual Financial Statements.

50.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 50.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

50.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

50.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 50.9 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2012 would have increased / decreased by R338 696 (30 June 2011: increased / decreased by R401 228). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

50.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
R

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2012		30 June 2011	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
Makapan Mall (Pty) Ltd	-	1 771 769	-	1 332 756
Department of Education, Arts and Culture	-	1 131 313	-	12 658 542
Nedan Oil Mills (Pty) Ltd	-	1 129 221	-	1 071 620
Northern Province Academy of Sport	-	1 087 369	-	996 787
Department of Waterworks and Forestry	-	1 000 559	-	-
Walton Eiendomme BK	-	-	-	1 682 008

2012
R **2011**
R

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	9 866 487	10 669 760
Consumer Debtors	237 664 761	190 971 570
Other Debtors	68 773 825	61 699 596
Bank, Cash and Cash Equivalents	501 750 484	294 034 627

Maximum Credit and Interest Risk Exposure

818 055 557 **557 375 553**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

% **%**

Consumer Debtors:

- Household	77.33%	76.07%
- Industrial / Commercial	8.06%	8.74%
- National and Provincial Government	9.23%	9.63%

Other Debtors:

- Other not Classified	5.38%	5.56%
------------------------	-------	-------

Total Credit Risk

100.00% **100.00%**

Bank and Cash Balances

ABSA Bank Ltd	90 000 000	75 000 000
First National Bank	140 000 000	50 000 000
Nedbank	125 000 000	80 000 000
Standard Bank	146 726 078	89 013 222
Cash Equivalents	24 406	21 405

Total Bank and Cash Balances

501 750 484 **294 034 627**

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Long-term Receivables		
Group 1	1 455 835	1 401 289
Group 2	50 015	61 977
Group 3	7 171 185	7 708 205
Total Long-term Receivables	8 677 035	9 171 471
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	13 804 677	11 471 954
Group 2	1 993 763	2 240 119
	<u>15 798 440</u>	<u>13 712 074</u>
Total Receivables from Exchange Transactions	15 798 440	13 712 074
Receivables from Non-exchange Transactions		
Group 1	19 221 256	16 594 379
Group 2	-	-
Total Receivables from Non-exchange Transactions	19 221 256	16 594 379

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50 FINANCIAL INSTRUMENTS (Continued)

50.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2012	#	%	R	R	R	R		R
Non-interest Bearing		0.00%	100 233 269	100 233 269	-	-	-	-
			100 233 269	100 233 269	-	-	-	-
30 June 2011								
Non-interest Bearing		0.00%	77 619 525	77 619 525	-	-	-	-
			77 619 525	77 619 525	-	-	-	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2012	#	%	R	R	R	R		R
Non-interest Bearing		0.00%	70 702 516	70 702 516	-	-	-	-
Variable Interest Rate Instruments		4.98%	16 726 078	16 726 078	-	-	-	-
Fixed Interest Rate Instruments		6.37%	485 000 000	485 000 000	-	-	-	-
			572 428 594	572 428 594	-	-	-	-
30 June 2011								
Non-interest Bearing		0.00%	61 273 470	61 273 470	-	-	-	-
Variable Interest Rate Instruments		3.83%	51 013 222	51 013 222	-	-	-	-
Fixed Interest Rate Instruments		7.21%	243 000 000	243 000 000	-	-	-	-
			355 286 692	355 286 692	-	-	-	-

The municipality has access to financing facilities, the total unused amount which is R305 445 (2011: R575 550), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2012

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		499 108 504	499 108 504	-	-	-	-
Bank Balances and Cash	7		2 641 979	2 641 979	-	-	-	-
Total Fixed Rate Instruments			501 750 484	501 750 484	-	-	-	-

30 June 2011

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		262 788 944	262 788 944	-	-	-	-
Bank Balances and Cash	7		31 245 683	31 245 683	-	-	-	-
Total Fixed Rate Instruments			294 034 627	294 034 627	-	-	-	-

50.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012	2011
R	R

51 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R19 245 118 (2011: R16 714 827) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2008.

The net assets available for benefits were R5 715 557 193.

No further information could be obtained.

National Fund for Municipal Workers - Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further information could be obtained.

Joint Municipal Pension Fund (previously Transvaal Municipal Pension Fund):

The fund is closed for membership and no new members are allowed to join the fund.

No information could be obtained.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R **2011**
R

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the market value of the fund was R1 446,8 (30 June 2009: R1 223,7) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2010.

Municipal Employees Gratuity Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2010.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2008.

The net assets available for benefits were R3 617 (2007: R3 696) million.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

52 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

52.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Beyers-Smit CF	Councillor	Owner and 25% Interest in Ntsepe Financial Services CC
Kekana VH	Councillor	Director of and 50% Interest in Leokga Trading & Enterprise
Machamaite PA	Councillor	Owner of 29A Bezuidenhout Street
Manamela LE	Councillor	Director of and 50% Interest in Motangtang Electrical
Morkel-Brink GE	Councillor	Trustee of Babsita Family Trust; Trustee of BV Pretorius Family Trust; Trustee of Welda Du Toit Trust
Setlatjile KD	Councillor	Director of and 33% Interest in Servimark 133
Mphago KJ	Manager	4% Membership in Kodumelang Construction & Manufacturing; 100% Ownership in Taxshop Polokwane South Franchise
De Villiers IA	Deputy Manager	20% Interest in AMS Haven 139; Director of and 20% Interest in Altmic Properties 55; Director of and 33,3% Interest in Romanesque Property Investments 49
Joubert W	Deputy Manager	Son-in-Law is the owner of Diesel Power Truck Repairs CC
Hungwani S	Divisional Head	100% Ownership in Nhlaluko Development Consultants
Molena DM	Official (SCM)	50% Partnership in Sensual Veille Intimates; 100% Ownership in MBT Cosmetics
Ragoasha MKM	Official (SCM)	100% Ownership in Bakgabale Creations & Décor
Venter R	Official	Spouse the owner of "Pronto Elektries"

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R
2011
R

52.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2012				
Councillors	34 076	133 907	-	15 983
Municipal Manager and Section 57 Personnel	11 925	51 406	-	7 102
Total Services	46 001	185 313	-	23 085
For the Year ended 30 June 2011				
Councillors	51 035	138 474	-	37 784
Municipal Manager and Section 57 Personnel	13 667	27 594	-	5 147
Total Services	64 702	166 068	-	42 932

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

52.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 14 to the Annual Financial Statements.

52.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 31 and 32 respectively, to the Annual Financial Statements.

2012
R
2011
R

52.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Diesel Power Truck Repairs	Oosthuizen DP	Owner (In-law)	Official	339 043	-
Dynasty Printers (Pty) Ltd	Cachalia A	Director (Spouse)	Councillor	-	1 021 951
Pronto Elektries	Venter A	Owner (Spouse)	Official	74 833	-
Tau Industries	Grove A	Owner (Parent)	Official	4 331 321	4 808 906
Total Purchases				4 745 197	5 830 857

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
53 CONTINGENT LIABILITIES		
53.1 Guarantees:	22 640 500	22 640 500
(i) Eskom: The municipality issued a bank guarantee in favour of Eskom to increase its electricity demand to 40 MVA to be able to meet the increasing demand for electricity supply from consumers.	22 640 500	22 640 500
53.2 Court Proceedings:	25 424 498	25 911 442
(i) Dispute on Water Account: The municipality is being sued by a consumer, Academy of Sports Excellence, for a dispute on their water account. The municipality is defending the claim based on legal advice. A trial date has not been set to date. The plaintiff's Discovery Affidavit and the trial date from Registrar is awaited. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from its Provision for Bad Debts. The municipality is proceeding with a debtor's claim of R860 000 against the plaintiff. A 3rd defendant was located and served with a summons, and entered defence. The outcome of the case is still uncertain.	96 000	96 000
(ii) Claim for Retention Money: A claim was received from Segole II Development Trust the payment of retention money. It is alleged that Waterberg District Municipality paid the retention money over to the municipality to pay to the claimant. The matter has been submitted to the municipality's Attorneys. No progress has been made to date and the outcome of the matter is still uncertain.	59 517	59 517
(iii) Building Services Rendered: The municipality is being sued by SA Call Centre Solutions for alleged services rendered for the design, build, implementation and support of a 20-seater Call Centre. The matter was postponed <i>sine die</i> by Court on 7 May 2012 with costs for the municipality. The outcome of the case is still uncertain.	216 558	216 558
(iv) Termination of Mandate for Debt Collection: The municipality is being sued by Katlego Benefit Administrators for termination of mandate for debt collection. The municipality is defending the claim based on legal advice. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from the Accumulated Surplus or by the municipality's insurers. The matter was postponed for plaintiff to submit proof of registration as a debt collector. The outcome of the case is still uncertain.	8 465 022	8 465 022
(v) Claim for Losses Sustained: A claim was received from Emang Development Projects CC for alleged losses sustained when the municipality terminated the contract they were working on on grounds of non-performance. No progress has been made to date and the outcome of the matter is still uncertain.	365 132	365 132
(vi) Non-payment for Work Done: The municipality is being summoned by Hlohlweni Business Enterprises CC for non-payment of the agreed fee of 15% for the procurement of funds from the National Lottery and excludes legal costs. The matter was referred to the municipality's attorneys. A trial date has been set for 6 September 2010, but has been postponed to 6 December 2010, and is now at Defendant's Discovery Affidavit. The outcome of the matter is still unknown.	4 247 755	4 247 755
(vii) Claim for Storm Water Damages: A claim was received from MA Makhafola for alleged damages to the claimant's house when it was flooded due to poor storm water reticulation systems. The matter has been submitted to the municipality's Attorneys. The outcome of the matter is still uncertain.	3 500 000	3 500 000
(viii) Repossession of Land: The municipality has cancelled a deed of sale due to non-compliance by the purchaser, Gov-Al Properties CC, and repossessed the portion of land. Gov-Al Properties CC are now suing the municipality in the High Court in order to get possession of the land again. The case was removed from the roll on 5 May 2008. Subsequently a summons was received and a trial date was set for 3 May 2011, which was postponed. The Plaintiff did not file replication and the municipality must now enroll the matter for trial. The outcome of the case is still unknown.	817 513	817 513

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
(ix) Claim for Losses Sustained: A claim was received from MJ Masimini for losses sustained on the transport of property. The municipality is allegedly a party to an illegal transfer of property. The Plaintiff is not persuing the matter and the file has been closed.	-	278 158
(x) Claim for Losses Sustained: A letter of intent to summon for losses incurred was received from LD Phahladira. The municipality allegedly built RDP houses on the claimant's farm. The summons is awaited from the High Court and the outcome of the matter is still uncertain.	7 500 000	7 500 000
(xi) Contesting Council Resolution: Lake View Estates is appealing against a resolution of the council not to approve a township development. The appeal procedure is ongoing. The outcome of the matter is still unknown.	-	-
(xii) Claim for Violation of Human Dignity: A claim was received from MS Bambo for the violation of his dignity. The municipality invited the claimant to an interview for a vacant position, but claimant was not appointed. An irregular step procedure has been taken as the Plaintiff did not provide an address within 8 km from Court. The outcome of the matter is still uncertain.	157 001	157 001
(xiii) Contesting Council Resolution: An application was brought to the High Court by MP Pale to set aside a Council Resolution to reinstate an employee contrary to the outcome of a Disciplinary Hearing, recommending dismissal. Subsequently Council resolved on 13/03/2012 that the employee be dismissed. Application was brought to Court for the municipality to be responsible for settlement of the Legal Costs of the Applicant. The cost and outcome of the matter is still uncertain.	-	-
(xiv) Contesting Council Resolution: An application was brought to the High Court by Afriforum to set aside a Council Resolution to reinstate an employee contrary to the outcome of a Disciplinary Hearing, recommending dismissal. Subsequently Council resolved on 13/03/2012 that the employee be dismissed. Application was brought to Court for the municipality to be responsible for settlement of the Legal Costs of the Applicant. The cost and outcome of the matter is still uncertain.	-	-
(xv) Damages to Underground Cables: The municipality is being sued by Telkom for damages to underground cables. A letter of demand was received on 8 May 2008 and further information has been requested from Telkom. The matter has been referred to the municipality's Insurers for finalisation.	-	58 786
(xvi) Claim for Defamation: The municipality is being sued by Kersten Max Will for damages due to defamation. Mr Will has passed away since. The claim has been forwarded to the municipality's Insurers.	-	50 000
(xvii) Claim for Injuries Sustained: The municipality is being sued by Ms R du Toit for alleged injuries sustained when she fell due to a damaged pavement. Legal costs are excluded from this claim. The matter was referred to the municipality's Insurers.	-	100 000
53.3 Insurance Claims:	2 512 599	-
(i) Alleged Damages Incurred: Claims lodged against the municipality for alleged damages caused by incidents of which the municipality should take ownership, have been referred to the municipality's insurers.	2 512 599	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

54 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

54.1 Insurance Claims:

927 097 **1 859 683**

(i) Lost / Damaged Assets:

927 097 1 859 683

The municipality has a claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R1,86 million will be recovered.

54.2 Court Proceedings:

435 982 **-**

(i) Recovery of Irregular Expenditure:

435 982 -

Investigation is being made into the recovery of Irregular Expenditure as disclosed in Note 47.3. It is probable that the proceedings will result in the recovery of the full amount but this recovery is not virtually certain.

55 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

56 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

57 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

58 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 41) and Prior Period Errors (Note 42).

59 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 29 May 2012 the Council adopted the 2012/13 to 2014/15 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
MOGALAKWENA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Land and Buildings	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Land:</i>													
Land: Developed	41 220 934	-	-	-	-	41 220 934	-	-	-	-	-	41 220 934	-
Land: Undeveloped	31 427 394	-	-	-	-	31 427 394	-	-	-	-	-	31 427 394	-
<i>Buildings:</i>													
Carports	595 938	212 611	-	-	-	808 549	347 912	27 264	-	-	375 176	433 373	215 000
Hostels: Public and Tourist	85 671	-	-	-	-	85 671	78 440	2 849	-	-	81 289	4 383	-
Houses	464 882	-	-	-	-	464 882	423 498	3 593	-	-	427 091	37 790	-
Office Buildings	16 568 381	18 252	63 359	37 815	-	16 687 807	4 528 624	588 944	-	-	5 117 568	11 570 239	100 000
Warehouses	2 128 909	4 008	-	-	-	2 132 917	1 418 096	72 420	-	-	1 490 516	642 400	5 000
Workshops and Depots	514 033	-	-	-	-	514 033	184 702	17 134	-	-	201 836	312 196	-
Air Conditioning Systems	283 153	2 095 528	-	-	-	2 378 681	43 353	59 022	-	-	102 375	2 276 306	-
Elevator Systems	566 371	-	-	-	-	566 371	84 948	28 316	-	-	113 264	453 107	1 656 595
	93 855 664	2 330 399	63 359	37 815	-	96 287 237	7 109 573	799 542	-	-	7 909 116	88 378 122	1 976 595
Infrastructure													
<i>Electricity:</i>													
High Mast Lights	5 176 683	-	1 080 174	4 353 903	-	10 610 760	1 554 295	582 065	-	-	2 136 360	8 474 400	2 142 212
Mains	32 191 793	3 887 740	-	-	-	36 079 533	6 738 753	763 882	-	-	7 502 634	28 576 898	16 307 766
Meters	177 502	-	-	-	-	177 502	88 460	7 172	-	-	95 632	81 871	-
Substations	57 002 014	-	-	-	-	57 002 014	14 412 982	1 991 724	-	-	16 404 707	40 597 308	-
Supply and Reticulation	20 522 434	-	-	-	-	20 522 434	2 871 966	820 952	-	-	3 692 918	16 829 516	-
Transformers	24 654 938	-	-	-	-	24 654 938	4 674 767	507 234	-	-	5 182 001	19 472 937	-
Major Spare Parts in Inventory	3 863 098	-	-	60 144	-	3 923 242	-	-	-	-	-	3 923 242	-
<i>Roads and Transport:</i>													
Bus Terminals	351 000	-	-	-	-	351 000	176 963	17 550	-	-	194 513	156 488	-
Road Furniture (Lights, Signs, etc)	16 922 664	18 094 209	8 724 956	4 771 828	-	48 513 657	511 329	927 175	-	-	1 438 504	47 075 153	35 500 000
Roads: Asphalt	211 140 897	21 209 669	786 662	8 281 097	(2 551 712)	238 866 613	80 130 138	8 320 093	-	(1 195 509)	87 254 722	151 611 890	23 000 000
Roads: Concrete	677 092	-	-	-	-	677 092	8 377	18 150	-	-	26 527	650 565	-
Roads: Gravel	71 144 503	-	-	-	-	71 144 503	52 329 883	7 117 191	-	-	59 447 073	11 697 430	-
Roads: Paved	815 000	540 245	-	-	-	1 355 245	9 056	39 172	-	-	48 228	1 307 017	550 000
Stormwater	77 750 000	4 507 172	5 040 984	20 907 863	-	108 206 020	13 177 217	2 950 641	-	-	16 127 858	92 078 161	28 789 803
Railway Sidings	503 000	-	-	-	-	503 000	408 133	23 717	-	-	431 850	71 150	-
Taxi Ranks	228 694	-	-	-	-	228 694	166 341	4 234	-	-	170 574	58 120	-
Telkom Sleeves	3 970 739	-	-	-	-	3 970 739	534 714	198 537	-	-	733 251	3 237 488	-
<i>Sanitation:</i>													
Landfill Sites	3 866 401	-	-	-	-	3 866 401	47 830	166 735	-	-	214 565	3 651 835	300 000
<i>Sewerage:</i>													
Bulk Pipelines	31 363 906	1 210 509	-	-	-	32 574 415	9 199 829	627 278	-	-	9 827 107	22 747 307	5 476 983
Pumping Stations	3 031 933	-	-	-	-	3 031 933	325 212	89 967	-	-	415 179	2 616 754	-
Purification Works	11 907 451	300 421	7 611 270	79 420	-	19 898 563	1 047 584	315 843	-	-	1 363 426	18 535 136	8 000 000
Sewers / Reticulation	25 797 452	431 256	-	-	-	26 228 708	1 242 337	429 958	-	-	1 672 295	24 556 414	450 000

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Water:</i>													
Boreholes	7 579 825	5 362 783	1 977 355	158 000	-	15 077 963	133 550	203 365	-	-	336 915	14 741 048	9 350 000
Dams	639 285	-	-	-	-	639 285	42 619	63 928	-	-	106 547	532 737	-
Meters	1 641 517	223 902	-	550 600	-	2 416 019	5 740	130 208	-	-	135 948	2 280 071	225 000
Pumping Stations	20 370 469	374 600	-	-	-	20 745 069	3 941 899	457 948	-	-	4 399 847	16 345 222	375 000
Purification Plant	1 349 750	-	-	-	-	1 349 750	17 436	28 359	-	-	45 795	1 303 955	-
Reservoirs and Tanks	64 531 588	7 723 034	1 319 203	2 676 954	-	76 250 779	17 347 406	1 482 854	-	-	18 830 260	57 420 519	10 375 000
Metalwork	25 000	-	-	-	-	25 000	486	833	-	-	1 319	23 681	-
Standpipes	1 422 310	3 702 311	-	35 000	-	5 159 622	59 821	191 088	-	-	250 909	4 908 713	3 750 000
Supply and Reticulation	164 169 451	4 767 708	28 975 348	17 498 857	-	215 411 365	23 025 273	3 773 644	-	-	26 798 917	188 612 447	97 948 915
Telemetry Systems	267 347	-	-	-	-	267 347	158 697	17 823	-	-	176 520	90 827	-
	865 055 738	72 335 560	55 515 951	59 373 667	(2 551 712)	1 049 729 204	234 389 093	32 269 321	-	(1 195 509)	265 462 904	784 266 299	242 540 679
Community Assets													
<i>Recreational Facilities:</i>													
Museums and Art Galleries	1 748 120	-	-	-	-	1 748 120	653 310	58 271	-	-	711 580	1 036 540	-
<i>Sports Facilities:</i>													
Sport and Recreational Facilities	13 718 717	-	11 103 029	-	-	24 821 746	5 313 949	590 832	-	-	5 904 781	18 916 965	31 859 376
Stadiums	3 228 844	-	-	-	-	3 228 844	630 624	114 191	-	-	744 815	2 484 029	-
<i>Other Facilities:</i>													
Cemeteries	215 181	-	-	-	-	215 181	66 678	7 173	-	-	73 851	141 330	1 065 510
Community Centres	11 014 598	-	-	-	-	11 014 598	3 426 945	373 196	-	-	3 800 141	7 214 458	-
Fire Stations	7 300 000	-	-	-	-	7 300 000	2 453 611	243 333	-	-	2 696 944	4 603 056	-
Libraries	64 500 000	7 029 286	-	2 260 975	-	73 790 261	21 679 167	2 253 225	-	-	23 932 392	49 857 870	7 500 000
Markets	3 132 549	-	-	-	-	3 132 549	413 525	104 399	-	-	517 924	2 614 624	-
Nurseries	145 529	-	-	-	-	145 529	46 041	4 888	-	-	50 929	94 600	-
Old Age Homes	4 050 848	-	-	-	-	4 050 848	2 371 094	123 528	-	-	2 494 622	1 556 225	-
Public Conveniences/Bathrooms	470 663	212 877	-	-	-	683 540	80 734	18 750	-	-	99 484	584 056	225 000
Vehicle Testing Centres	44 000	-	-	-	-	44 000	41 067	1 467	-	-	42 533	1 467	-
Perimeter Protection	4 543 853	1 364 784	-	2 589 580	-	8 498 217	693 415	199 898	-	-	893 313	7 604 904	1 375 000
Security Systems	482 091	-	-	-	-	482 091	244 605	86 754	-	-	331 359	150 732	-
	114 594 990	8 606 948	11 103 029	4 850 555	-	139 155 523	38 114 765	4 179 904	-	-	42 294 669	96 860 854	42 024 886
Other Assets													
<i>Bins and Containers:</i>													
Collection Containers / Bins	862 850	314 855	-	-	-	1 177 704	222 401	118 208	-	-	340 609	837 096	315 000
<i>Computer Equipment:</i>													
Computer Hardware	7 216 799	748 490	50 000	303 994	(664 355)	7 654 928	5 631 309	573 259	-	(596 014)	5 608 554	2 046 373	800 000
Computer Networks	-	82 427	-	-	-	82 427	-	6 182	-	-	6 182	76 245	84 582
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	68 301	-	-	-	-	68 301	25 576	7 513	-	-	33 089	35 212	-
Fire Equipment	-	7 059	-	-	-	7 059	-	943	-	-	943	6 116	7 100
Medical and Allied Equipment	125 838	-	-	-	-	125 838	79 286	15 455	-	-	94 741	31 097	-

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Furniture and Fittings:</i>													
Advertising Boards	514	-	-	-	-	514	8	93	-	-	101	414	-
Domestic and Hostel Furniture	1 499	13 670	-	-	-	15 169	97	465	-	-	562	14 607	13 750
Kitchen Appliances	68 795	12 371	-	-	(2 799)	78 367	37 027	11 797	-	(1 787)	47 037	31 329	12 375
Other Furniture	4 587 524	402 904	474 145	-	(146 685)	5 317 888	2 241 957	472 103	-	(87 018)	2 627 042	2 690 846	900 000
<i>Motor Vehicles:</i>													
Motor Cars	22 414 945	2 250 725	-	-	(2 899 982)	21 765 687	12 485 063	2 994 683	-	(1 903 264)	13 576 482	8 189 205	2 500 000
Trailers	432 137	264 319	-	-	(55 797)	640 659	197 610	54 567	-	(36 024)	216 153	424 505	500 000
Trucks and Bakkies	11 767 559	503 861	-	-	(21 271)	12 250 149	2 824 914	1 299 937	-	(18 841)	4 106 010	8 144 139	2 500 000
<i>Office Equipment:</i>													
Air Conditioners	853 500	118 376	448 779	-	(14 697)	1 405 959	203 162	164 628	-	(7 820)	359 970	1 045 989	570 000
Audiovisual Equipment	13 158	91 387	-	-	-	104 544	8 488	3 636	-	-	12 123	92 421	100 000
Cellular Phones	-	822	-	-	-	822	-	129	-	-	129	693	1 000
Chains, Decorations & Robes	-	87 000	-	-	-	87 000	-	2 658	-	-	2 658	84 342	90 000
Domestic Equipment	31 486	6 482	-	-	-	37 968	6 201	6 437	-	-	12 638	25 329	7 500
Library Books	-	-	926 106	-	-	926 106	-	-	-	-	-	926 106	950 000
Other Office Equipment	3 678 656	147 031	-	-	(406 274)	3 419 413	2 932 557	221 698	-	(353 783)	2 800 472	618 941	150 000
Paintings and Sculptures	63 218	-	-	-	-	63 218	21 986	3 141	-	-	25 127	38 091	-
Library Books	4 183 630	1 432 515	-	-	-	5 616 145	2 442 337	606 330	-	-	3 048 668	2 567 477	-
Library Books - Mahwelereng	-	749 736	-	-	-	749 736	-	-	-	-	-	749 736	-
<i>Plant and Equipment:</i>													
Bicycles	-	1 129	-	-	-	1 129	-	64	-	-	64	1 065	1 250
Electric Wire and Power Tools	47 537	185 185	-	-	-	232 721	22 672	25 864	-	-	48 535	184 186	200 000
Farm Equipment	728 553	-	-	-	(1 965)	726 588	65 251	43 077	-	(1 505)	106 824	619 764	-
Gardening Equipment	919 075	71 906	-	-	-	990 980	436 739	168 928	-	-	605 667	385 313	80 000
Laboratory Equipment	3 900	-	-	-	-	3 900	2 503	770	-	-	3 273	628	-
Other Plant and Equipment	4 355 833	145 200	-	-	(15 888)	4 485 146	2 333 719	649 669	-	(11 515)	2 971 873	1 513 273	150 000
Pumps and Plumbing Equipment	670 633	-	-	-	-	670 633	121 022	61 373	-	-	182 395	488 238	-
Radio Equipment	408 678	63 285	-	-	(3 631)	468 333	228 064	67 038	-	(2 328)	292 774	175 559	100 000
Road Construction Equipment	3 691 653	-	-	-	-	3 691 653	313 717	221 830	-	-	535 548	3 156 105	-
Satelite Tracking Equipment	-	59 959	-	-	-	59 959	-	6 931	-	-	6 931	53 027	100 000
Security Equipment	96 371	94 514	-	47 401	-	238 287	51 285	30 262	-	-	81 546	156 740	100 000
Sport & Eecreational Equipment	-	131 500	-	-	-	131 500	-	4 217	-	-	4 217	127 283	150 000
Telecommunication Equipment	58 604	324 701	-	-	-	383 305	44 744	38 467	-	-	83 211	300 094	350 000
Woodworking Machinery/Equipm	439 430	-	-	-	-	439 430	39 549	39 549	-	-	79 097	360 332	-
Workshop Equipment	2 685 584	311 409	-	-	(23 454)	2 973 538	1 069 170	326 203	-	(16 254)	1 379 118	1 594 420	350 000
<i>Specialised Vehicles:</i>													
Sewerage Collection Vehicles	1 529 573	1 591 462	-	-	-	3 121 035	22 944	185 405	-	-	208 349	2 912 686	1 600 000
<i>Other Assets:</i>													
Laboratories	51	-	-	-	-	51	49	0	-	-	49	1	-
	72 005 884	10 214 279	1 899 030	351 395	(4 256 799)	80 213 788	34 111 402	8 433 513	-	(3 036 152)	39 508 763	40 705 025	12 682 557
Total	1 145 512 276	93 487 185	68 581 369	64 613 432	(6 808 511)	1 365 385 752	313 724 833	45 682 280	-	(4 231 661)	355 175 452	1 010 210 300	299 224 717
						0.00					0.00	0.00	

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

MOGALAKWENA MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	4 564 000	-	-	-	-	4 564 000	1 466 123	91 633	-	-	1 557 756	3 006 244	-
	4 564 000	-	-	-	-	4 564 000	1 466 123	91 633	-	-	1 557 756	3 006 244	-
						0.00							

MOGALAKWENA MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2012
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	3 743 238	1 095 678	10 000	-	-	4 848 916	3 121 919	517 231	-	-	3 639 150	1 209 765	235 010
	3 743 238	1 095 678	10 000	-	-	4 848 916	3 121 919	517 231	-	-	3 639 150	1 209 765	235 010
						0.00							

MOGALAKWENA MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 40360
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
Heritage Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Culturally Significant Buildings	51	-	-	-	-	51	-	-	-	-	-	51	-
Historical Sites	5 736 139	-	-	-	-	5 736 139	-	-	-	-	-	5 736 139	-
National Monuments	152	-	-	-	-	152	-	-	-	-	-	152	-
	5 736 342	-	-	-	-	5 736 342	-	-	-	-	-	5 736 342	-
						0.00							
Total Asset Register	1 159 555 856	94 582 863	68 591 369	64 613 432	(6 808 511)	1 380 535 010	318 312 876	46 291 144	-	(4 231 661)	360 372 358	1 020 162 651	299 459 727

APPENDIX C
MOGALAKWENA MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	3 928 957	2 514 443	-	341 809	(59 308)	6 725 902	2 665 992	795 015	-	(47 905)	3 413 102	3 312 799
Finance and Administration	231 513 502	1 624 464	512 138	-	(2 409 309)	231 240 795	61 009 476	6 455 580	-	(1 706 373)	65 758 684	165 482 111
Planning and Development	4 697 355	237 903	-	-	(117 004)	4 818 254	1 303 399	245 993	-	(91 787)	1 457 605	3 360 649
Health	14 663	-	-	-	-	14 663	7 775	2 073	-	-	9 848	4 815
Community and Social Services	8 732 023	12 722 324	1 460 250	2 260 975	(24 978)	25 150 595	3 218 489	1 048 714	-	(18 283)	4 248 921	20 901 674
Public Safety	5 990 301	1 396 325	-	47 401	(527 080)	6 906 948	3 202 188	656 831	-	(401 839)	3 457 180	3 449 769
Sport and Recreation	7 452 976	4 516 344	11 103 029	8 884 845	(48 052)	31 909 143	2 177 877	944 613	-	(42 568)	3 079 923	28 829 220
Environmental Protection	885 779	6 497	-	-	(648 396)	243 881	529 427	32 849	-	(380 250)	182 026	61 855
Waste Management	87 131 618	4 038 850	7 611 270	79 420	(345 314)	98 515 844	15 817 396	3 173 220	-	(289 475)	18 701 142	79 814 703
Roads and Transport	385 881 112	42 897 356	14 552 601	31 097 878	(2 574 575)	471 854 372	148 052 563	20 392 727	-	(1 211 853)	167 233 437	304 620 935
Water	271 761 740	18 342 293	32 271 906	18 978 049	(8 812)	341 345 176	47 068 746	7 018 572	-	(7 718)	54 079 601	287 265 575
Electricity	148 631 039	6 258 387	1 080 174	2 923 054	(45 390)	158 847 265	33 039 637	5 422 427	-	(33 404)	38 428 660	120 418 606
Other	2 934 790	27 677	-	-	(295)	2 962 172	219 909	102 528	-	(206)	322 231	2 639 941
Total	1 159 555 856	94 582 863	68 591 369	64 613 432	(6 808 511)	1 380 535 010	318 312 876	46 291 144	-	(4 231 661)	360 372 358	1 020 162 651

APPENDIX D
MOGALAKWENA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)	Description	2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)
R	R	R		R	R	R
151 994 561	79 764 904	72 229 657	Executive and Council	231 574 510	82 473 372	149 101 138
66 324 575	63 779 429	2 545 147	Finance and Administration	125 577 223	90 704 854	34 872 368
708 991	15 098 767	(14 389 775)	Planning and Development	914 207	14 598 707	(13 684 501)
-	42 232	(42 232)	Health	-	35 472	(35 472)
3 195 750	6 317 435	(3 121 685)	Community and Social Services	13 615 085	6 541 233	7 073 852
128 487	112 065	16 422	Housing	132 382	129 245	3 136
6 400 347	17 593 289	(11 192 943)	Public Safety	7 361 943	19 679 617	(12 317 675)
12 063 826	8 104 015	3 959 812	Sport and Recreation	15 472 664	6 826 366	8 646 298
41 421	1 839 070	(1 797 649)	Environmental Protection	31 152	1 843 753	(1 812 601)
43 145 141	31 476 120	11 669 022	Waste Management	42 036 002	41 043 024	992 978
89 186 741	42 699 976	46 486 765	Roads and Transport	65 933 341	52 585 721	13 347 620
131 795 585	71 423 153	60 372 432	Water	65 707 509	66 743 500	(1 035 991)
143 542 942	113 333 280	30 209 662	Electricity	161 008 240	136 958 606	24 049 634
-	1 189 787	(1 189 787)	Other	98	1 273 168	(1 273 071)
648 528 368	452 773 523	195 754 845	Total	729 364 355	521 436 640	207 927 714

APPENDIX E(1)
MOGALAKWENA MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	38 795 308	38 233 139	562 169	1.47	
Fines	1 145 537	1 307 538	(162 001)	(12.39)	Less Fines issued than anticipated
Licences and Permits	67 550	80 000	(12 450)	(15.56)	Less Licences/Permits issued than anticipated
Income for Agency Services	8 945 566	6 633 990	2 311 576	34.84	More Licences, issued on behalf of Principals, issued than anticipated
Government Grants and Subsidies	385 818 052	520 695 099	(134 877 047)	(25.90)	Commitments not met due to delay in awarding of tenders
Public Contributions and Donations	14 772 113	15 837 856	(1 065 743)	(6.73)	
Service Charges	216 313 192	214 189 011	2 124 181	0.99	
Rental of Facilities and Equipment	1 029 828	778 735	251 093	32.24	More Rental earned than anticipated
Interest Earned - External investments	24 859 260	17 000 000	7 859 260	46.23	Investments held more than budgeted for
Interest Earned - Outstanding debtors	23 074 189	2 157 100	20 917 089	969.69	Budgeted only for anticipated Recoverable Interest
Other Income	9 184 141	4 517 184	4 666 957	103.32	Retentions Forfeited and Unclaimed Moneys older than 3 years not budgeted for
Gains on Disposal of Property, Plant and Equipment	827 142	-	827 142	100.00	Gains not budgeted for
Profit on Sale of Land	4 532 476	4 000 000	532 476	13.31	Land Sales exceeded expectations
Total Revenue	729 364 355	825 429 652	(96 065 297)	(11.64)	
EXPENDITURE					
Employee Related Costs	155 186 871	170 458 999	(15 272 128)	(8.96)	
Remuneration of Councillors	15 107 713	15 180 875	(73 162)	(0.48)	
Collection Costs	118 575	185 000	(66 425)	(35.91)	Expenditure less than anticipated
Depreciation	46 291 144	58 226 865	(11 935 721)	(20.50)	Capital Projects budgeted for not completed/started during the year
Impairment Losses	43 538 102	44 622 142	(1 084 040)	(2.43)	
Repairs and Maintenance	56 546 309	55 766 982	779 327	1.40	
Interest Paid	16 293	-	16 293	100.00	Not material
Bulk Purchases	122 946 781	126 040 000	(3 093 219)	(2.45)	
Contracted Services	13 292 516	17 717 578	(4 425 062)	(24.98)	Savings on expenditure realised
Grants and Subsidies Paid	38 627 426	32 750 331	5 877 095	17.95	Community Projects budgeted for in Capital Budget
General Expenses	27 965 722	44 430 906	(16 465 184)	(37.06)	Savings on expenditure realised
Loss on disposal of Property, Plant and Equipment	1 799 189	-	1 799 189	100.00	Loss on Insurance Claims and Disposal of Assets not budgeted for
Total Expenditure	521 436 640	565 379 678	(43 943 038)	(7.77)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	207 927 714	260 049 974	(52 122 260)	(20.04)	

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	35 268 655	32 307 437	2 961 218	9.17	
Fines	1 404 133	1 189 079	215 054	18.09	More fines issued than anticipated because offices are now open on weekends
Licences and Permits	68 910	76 855	(7 945)	(10.34)	Less licences/permits issued than anticipated
Income for Agency Services	8 214 097	6 347 313	1 866 784	29.41	More licences issued than anticipated
Government Grants and Subsidies	368 060 588	400 384 917	(32 324 329)	(8.07)	
Public Contributions and Donations	8 401 556	(8 000)	8 409 556	(105 119.45)	Donations received was not budgeted for - improvements to swimming pool
Service Charges	180 380 049	186 566 938	(6 186 889)	(3.32)	
Rental of Facilities and Equipment	720 039	816 205	(96 166)	(11.78)	Budgeted for full contracted amount, of which portion is deferred to next year
Interest Earned - External investments	15 925 024	13 000 000	2 925 024	22.50	Investments held more than budgeted for
Interest Earned - Outstanding debtors	17 229 336	2 120 000	15 109 336	712.70	Budgeted only for anticipated recoverable interest
Other Income	6 108 752	2 705 066	3 403 686	125.83	Retentions forfeited not budgeted for
Gains on Disposal of Property, Plant and Equipment	-	-	-	0.00	
Profit on Sale of Land	6 747 229	4 166 767	2 580 462	61.93	Land Sales exceeded expectations
Total Revenue	648 528 368	649 672 577	(1 144 209)	(0.18)	
EXPENDITURE					
Employee Related Costs	145 456 584	152 864 589	(7 408 005)	(4.85)	
Remuneration of Councillors	13 246 031	14 483 810	(1 237 779)	(8.55)	
Collection Costs	90 502	100 000	(9 498)	(9.50)	
Depreciation	42 380 634	44 191 038	(1 810 404)	(4.10)	Decrease in depreciation due to implementation of GRAP 16, 17 and 102
Impairment Losses	37 288 231	32 193 880	5 094 351	15.82	Increased provision due to deterioration of debtor payment rate
Repairs and Maintenance	61 763 678	66 415 744	(4 652 066)	(7.00)	
Interest Paid	-	-	-	0.00	
Bulk Purchases	101 289 628	106 200 000	(4 910 372)	(4.62)	
Contracted Services	12 530 808	13 828 009	(1 297 201)	(9.38)	Savings on expenditure realised
Grants and Subsidies Paid	22 316 323	29 185 553	(6 869 230)	(23.54)	
General Expenses	16 382 883	25 855 104	(9 472 221)	(36.64)	Savings on expenditure realised
Loss on disposal of Property, Plant and Equipment	28 223	-	28 223	100.00	Loss on Insurance claims
Total Expenditure	452 773 523	485 317 727	(32 544 204)	(6.71)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	195 754 845	164 354 850	31 399 995	19.11	

APPENDIX E(2)
MOGALAKWENA MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12 Actual	2011/12 Under Construction	2011/12 Total Additions	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Executive and Council	2 514 443	-	2 514 443	2 899 974	(385 531)	(13.29)	Savings realised - Assets not procured as budgeted for
Finance and Administration	1 624 464	512 138	2 136 602	4 707 386	(2 570 784)	(54.61)	Savings realised - Assets not procured as budgeted for
Planning and Development	237 903	-	237 903	579 451	(341 548)	(58.94)	Savings realised on procurement of Air Conditioners
Community and Social Services	12 722 324	1 460 250	14 182 575	13 756 837	425 738	3.09	
Housing	-	-	-	370 000	(370 000)	(100.00)	Assets not procured as budgeted for - Budget rolled over to 2012/13
Public Safety	1 396 325	-	1 396 325	3 140 091	(1 743 766)	(55.53)	Savings realised - Assets not procured as budgeted for
Sport and Recreation	4 516 344	11 103 029	15 619 373	29 398 479	(13 779 106)	(46.87)	Construction of Sports Node not finalised - Budget rolled over to 2012/13
Environmental Protection	6 497	-	6 497	6 500	(3)	(0.04)	
Waste Management	4 038 850	4 999 768	9 038 618	16 183 806	(7 145 188)	(44.15)	MIG Projects not finalised - Budget rolled over to 2012/13
Roads and Transport	42 897 356	14 365 252	57 262 608	86 191 636	(28 929 028)	(33.56)	MIG and NDPG Projects not finalised - Budget rolled over to 2012/13
Water	18 342 293	31 115 923	49 458 215	122 331 653	(72 873 438)	(59.57)	DWAE and MIG Projects not finalised - Budget rolled over to 2012/13
Electricity	6 258 387	1 080 174	7 338 561	19 845 914	(12 507 353)	(63.02)	Projects not finalised - Budget rolled over to 2012/13
Other	27 677	-	27 677	48 000	(20 323)	(42.34)	Not material
Total	94 582 863	64 636 536	159 219 398	299 459 727	(140 240 329)	(46.83)	

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2011

Description	2010/11 Actual	2010/11 Under Construction	2010/11 Total Additions	2010/11 Budget	2010/11 Variance	2010/11 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Executive and Council	340 628	37 815	378 443	486 853	(108 410)	(22.27)	Capital under Construction from 2008/09 not budgeted for - R303 994
Finance and Administration	2 166 260	-	2 166 260	1 566 968	599 292	38.25	Swimming Pool not budgeted for - R966 845
Planning and Development	119 365	-	119 365	259 965	(140 600)	(54.08)	Savings realised
Community and Social Services	805 003	2 260 975	3 065 979	9 266 339	(6 200 360)	(66.91)	Construction of Library not finalised - R6 239 025 rolled over to 2011/12
Housing	-	-	-	-	-	0.00	
Public Safety	879 643	47 401	927 044	1 119 600	(192 556)	(17.20)	Savings realised
Sport and Recreation	778 284	8 884 845	9 663 130	27 158 357	(17 495 227)	(64.42)	Construction of Sports Node not finalised - R17 443 155 rolled over to 2011/12
Environmental Protection	2 550	-	2 550	3 000	(450)	(15.00)	Not material
Waste Management	11 170 354	2 690 922	13 861 276	15 317 236	(1 455 960)	(9.51)	MIG Projects not finalised - R1 186 970 rolled over to 2011/12
Roads and Transport	54 698 354	27 391 707	82 090 061	86 223 155	(4 133 094)	(4.79)	
Water	40 702 041	20 134 032	60 836 073	83 133 207	(22 297 134)	(26.82)	DWAF & MIG Projects not finalised - R22 265 662 rolled over to 2011/12
Electricity	16 746 170	2 862 910	19 609 081	24 031 761	(4 422 680)	(18.40)	Substation & Streetlight Projects not finalised - R4 123 322 rolled over to 2011/12
Other	798	-	798	900	(102)	(11.31)	Not material
Total	128 409 450	64 310 609	192 720 059	248 567 341	(55 847 282)	(22.47)	

APPENDIX F
MOGALAKWENA MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June		Yes / No	
Equitable Share	Nat Treasury	0	93 809 000	60 944 000	63 591 000	0	0	51 431 945	51 648 705	50 973 586	60 875 759	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
FMG	Nat Treasury	0	1 250 000	0	0	0	0	118 585	160 229	140 930	830 256	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
NDPG	Nat Treasury	0	0	5 000 000	23 000 000	0	0	6 572 948	15 487 058	7 367 239	4 882 307	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	0	66 059 000	0	47 163 000	0	0	7 223 727	18 120 529	19 141 673	27 162 294	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	0	7 231 058	5 086 113	46 682 830	20 999 811	0	2 604 744	4 659 630	1 350 028	18 851 540	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF O & M	DWAF	0	3 715 000	3 715 000	3 818 000	0	0	775 569	3 205 072	5 053 473	2 213 887	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Projects	DME	0	2 572 000	2 571 000	857 000	0	0	0	0	0	4 877 914	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	0	790 000	0	0	0	0	0	149 218	165 000	475 782	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPWP Incentive Grant	Province	0	860 000	172 000	1 038 000	0	0	0	433 440	598 560	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		0	176 286 058	77 488 113	186 149 830	20 999 811	0	68 727 518	93 863 880	84 790 488	120 169 739	0	0	0	0	0			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?																			